Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.800	Iran	Rls200	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh16	Switz	SFr2.70
Greece	Dr208	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira15	Tunisia	Din0.800
Iceland	IKr150	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,624

Tuesday December 3 1991

ΦD 8523A

BRITISH WATER
Two tough years of turbulence
Page 20

World News

Soviet state banks trigger double cash crunch

The Soviet Union faced a double cash crunch as Russian government officials debated emergency measures to pay salaries while the bank servicing the country's foreign debt stopped sales of foreign exchange to Soviet citizens.

The two crises are due respectively to the collapse of a common Soviet budget and to a failure by republics to agree a system of supplying hard currency for the service of debt obligations. They were triggered, however, by Gosbank and Vnesheconombank, the state banks, using get-tough tactics to extract funds from republics now controlling most sources of revenue. Page 22; Food aid pledge, Page 2; Editorial comment, Page 18

Cicippio released

With the Lebanese release of US hostage Joseph Cicippio, the long agony of the western hostages in the Middle East appears to be coming to an end. The four still held may be released "within days", according to reports. Page 22

Kenya multiparty switch
Leaders of Kenya's ruling Kenya African National Union party bowed to intense pressure for political reform and agreed to recommend that the one-party east African country switch to multiparty politics. Moi U-turn, Page 4

Khmer Rouge demand
The Khmer Rouge demanded that 800 more UN peacekeeping soldiers be deployed immediately in Phnom Penh, saying otherwise its leaders could not return there to participate in the Cambodian peace process.

Togo siege renewed
Rebel soldiers demanding changes in Togo's civilian government renewed a siege of the residence of prime minister Joseph Kokou Koffigoh.

Major meets Dalai Lama
Tibet's exiled spiritual leader, the Dalai Lama, met British prime minister John Major for the first time and said later he hoped his Chinese-ruled homeland would be independent within five to 10 years. Details and picture, Page 4

Support for trial demand
The European Community endorsed British, French and US demands that Libya surrender for trial two nationals alleged to be behind the Lockerbie bombing. Page 4

French aircraft crash
A French government aircraft crashed near Paris killing at least nine people. The twin-jet Mystere 20 of the government special flights service crashed after an engine failure.

Syria at the polls
Cheering crowds of Syrians went to the polls for a yes-or-no ballot to give President Hafez al-Assad another seven years in power. After days of demonstrations in favour of re-election, long lines formed at Damascus polling places.

Cholera hits Brazil
A cholera epidemic has spread into Brazil from Peru and now threatens Brazil's teeming cities and shanty towns.

EC citizens back unity
Most European Community citizens are in favour of closer political and monetary union, according to an EC-wide opinion poll. Page 2

Business Summary

US industry on brink of recession says survey

The US manufacturing sector is on the brink of recession, the National Association of Purchasing Managers said.

The Purchasing Managers' Index – a closely-watched indicator of US industrial conditions – fell sharply last month to 50.1 per cent, compared with 53.5 per cent in October. A reading below 50 per cent indicates that the manufacturing economy is declining. Page 22

SHARE PRICES: The UK stock market stood up much better than several other European trading centres which suffered steep declines in response to a 3 per cent overnight fall in Tokyo. The FT-SE 100 index was marked down by 32.5 points in early trading; but by the end of trading this was cut to just 5.3, with the 2,400 mark comfortably regained. Wall Street moved sharply up on programme buying and bargain hunting, with the Dow Jones index ending at 2,935.38, up 40.7. London stocks, Page 35; World stocks, Section II, Back Page; Lex, Page 22

D-MARK strengthened as speculation mounted that the Bundesbank may raise German interest rates at its council meeting on Thursday. In London, sterling fell back to DM2.8585, but remained well above the DM2.84 level at which the Bank of England was forced to step in last week. Currencies, Page 42

NCR, computer-making subsidiary of AT&T, US telecom group, has agreed to acquire Teradata, a California computer company, for $520m in stock. Page 23

McDONNELL Douglas, US defence group, took another step in putting its finances in order when it announced a settlement of a long-standing dispute with the US tax authorities. Page 26

UK BRICK INDUSTRY: Steetley and Tarmac, two of Europe's largest building materials groups, are to merge their UK clay and concrete products businesses. Page 23; Lex, Page 22

BRITISH Midland Airways, second-biggest UK scheduled airline, threatened to end flights to Liverpool, Birmingham and East Midlands from London Heathrow to make room for new services to Brussels and Frankfurt. Page 8

M&G GROUP, UK fund management concern, announced a 10 per cent rise in pre-tax profits to £39.2m for the year to September 30, despite "disappointing" sales of unit trust and life assurance products. Page 30

MINORCO, overseas investment arm of Anglo American-De Beers group of South Africa, has made its second purchase from the Treuhand, the organisation responsible for privatising state-owned businesses in the former east Germany. Page 26

BT: The UK government had received 650,000 applications from small investors for shares in its £6bn ($10.6bn) BT sale by yesterday evening. Page 30

BCCI: The provisional liquidators of the Bank of Credit and Commerce International have run up $200m of overheads and expenses since taking over the bank in July. Page 9

AMALGAMATED Banks of South Africa, the country's largest banking group, has sharply increased provisions for bad debts in the six months to the end of September. The provisions reflect the impact of continuing recession and standardisation of group policy on credit. Page 26

JAPANESE companies are increasingly postponing new share listings in the wake of the prolonged weakness of the Japanese stock markets. Page 28

Obstacles facing EC summit mount as British attitudes harden

UK clings to EC veto powers

BRITAIN last night refused to give up its veto in future arrangements for a common European foreign policy, despite new Dutch efforts to reach a compromise.

As a result, the contentious issue of majority voting in foreign policy is likely to join the unresolved problems facing EC heads of government at next week's summit at Maastricht.

Simultaneously, Britain put a stop to discussions about a specific let-out clause on a single currency, saying this could only be taken up at Maastricht.

The unyielding British stance was evident at separate meetings of foreign and finance ministers in Brussels, as the EC tried to clear obstacles to Maastricht accords on economic and political union.

At the foreign ministers' talks, the Dutch presidency of the EC tried to craft a form of words that would safeguard "vital national interests" of member states. The ministers, however, became "marooned in semantic subtleties", a Spanish official said.

Britain had sought a safeguard clause to ensure it could "opt out" of an agreed foreign stance if circumstances changed.

But Britain's partners rejected its demand, according to Mr Roland Dumas, the French foreign minister.

A British official said the UK had "not so far heard a convincing explanation of the advantages of qualified majority voting in a common foreign and security policy". Denmark shared British reticence on majority voting.

At present, EC foreign policy co-operation requires unanimity, with the result that any of the 12 states can veto or water down agreed positions.

But the Dutch presidency's current draft treaty on political union, which the 12 are supposed to agree at Maastricht, calls for majority voting to implement those areas of foreign policy where member states have agreed unanimously on "joint action".

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Britain is adamant that foreign policy must continue to be made on an intergovernmental basis outside the Treaty of Rome.

Germany is only prepared to accept this if the Maastricht summit makes commitments to try to bring this and judicial co-operation under the EC at a later stage.

At the finance ministers' meeting, Mr Norman Lamont, UK chancellor of the exchequer, persuaded his EC colleagues to defer all discussion on a let-out on monetary union until the summit.

In Denmark, meanwhile, pressure mounted for a let-out clause on the introduction of a single currency.

Britain and Denmark want parliamentary or popular sanction for Emu, but the Danish government argues that its demand is purely procedural because it supports the plan for Emu.

In a meeting in London yesterday, Mr John Major, the British prime minister, sought to narrow his differences with President François Mitterrand over defence and social policy.

But after 2½ hours of talks senior British officials said a "positive" tone at the meeting had not brought about any breakthroughs.

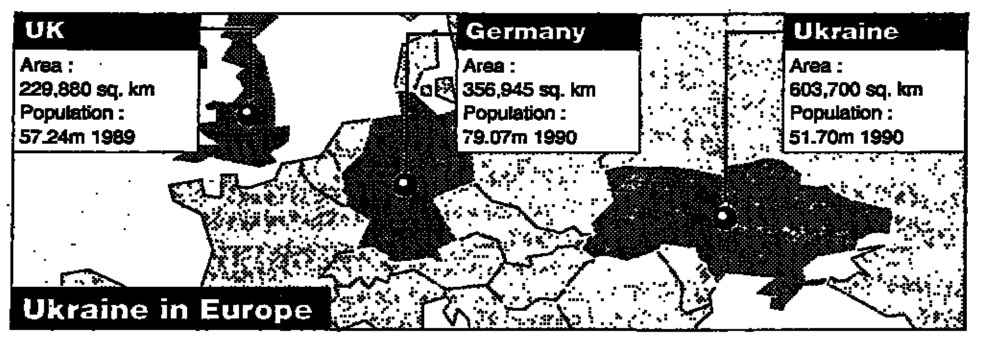
The officials said they now expected more than half a dozen substantive issues in the negotiations on economic and political union to be left to heads of state to resolve at Maastricht.

On the issue of monetary union, the Danish Folketing (parliament) insists the country must hold two referendums on Emu, one in 1992 to approve the treaty and one in 1996 or 1997 to approve implementation of a single currency.

"It is absolutely clear that Denmark must have a let-out clause", said Mr Ivar Norgaard, the Social Democratic party's chairman of the Folketing's powerful market affairs committee. The Social Democrats are the largest party in the Folketing.

But it now seems certain that Britain will have to accept a specially tailored opt-out on Emu for itself.

This could put Mr Major's government under domestic attack for allowing Britain to be isolated.



Ukraine votes for full independence by 9 to 1

By **Chrystia Freeland** in Kiev, **John Lloyd** in Moscow and **George Graham** in Washington

UKRAINE yesterday delivered what could be a death blow to the Soviet Union when it announced an overwhelming vote for full independence.

Preliminary returns indicated that 90.85 per cent of the republic's population said "yes" to independence and more than 60 per cent supported Mr Leonid Kravchuk, the ex-communist chairman of the Ukrainian parliament, to become the new nation's first president.

Washington welcomed the vote and promised to send an envoy. Canada said it would recognise Ukraine as an independent state.

Ukraine would be one of the largest independent states in Europe with a population of almost 52m and an area of 603,700 square kilometres, dwarfing even the united Germany on its western border.

The vote result coincided with Moscow warning that armed conflict could erupt if the republic broke away from the Soviet Union.

Mr Ivan Silayev, chairman of the Inter-republican Economic Committee and in effect Soviet prime minister, told the French daily Figaro that Russo-Ukrainian conflict could erupt over the Crimea, the Black Sea peninsula which has a majority Russian population. "The Ukraine will suffer heavy losses if it decides to isolate itself from other republics," Mr Silayev warned.

Crimea was given to Ukraine by the Soviet Union less than 40 years ago and most Russians still consider it part of Russia. Mr Kravchuk, however, said a vote by the Crimea should put an end to such speculation. The Crimean republic voted 54 per cent in favour of independence.

Russian television reported last night that, despite the Crimea issue, Russia's President Boris Yeltsin had recognised

Continued on Page 22

Ukraine body blow, Page 2
Editorial comment, Page 20

President-elect Leonid Kravchuk announces the birth of an independent Ukraine in the republic's supreme soviet

Maxwell bankers meet as shares are suspended

By **Raymond Snoddy, Bronwen Maddox** and **Richard Gourlay** in London

BANKERS of Robert Maxwell's corporate empire meet today to decide whether to support an orderly disposal of assets to meet greater than expected debt or to push the Maxwell family's private interests into administration.

It is now clear that the private debts are more than £1bn ($1.77bn) – considerably higher than expected. "Cash is draining out by the day," said a banker yesterday.

It also emerged yesterday that auditors have been called in to check the two companies' pension funds. Imro, the pension industry watchdog, has been informed and, according to Maxwell Communication Corporation, is happy with the measures taken. MCC emphasised last night that there was no risk to pensioners' money and that pensions were being paid as normal.

The growing complexity of the finances led yesterday to the suspension of the shares of MCC and Mirror Group Newspapers, the two publicly-listed Maxwell companies, for the second time since the publisher's death.

A statement from the companies said the suspension would last "pending clarification of the Maxwell family's companies' financial position and its effect on the public companies."

The decision to suspend the shares was taken late on Sunday night. One banker said yesterday: "You can assume the company would not have done this if something big had not happened to change the situation." The suspension, requested by the companies, was supported by all the banks.

Analysts have believed that sales of businesses by MCC in the past few months already satisfied much of the $750m debt repayments due in October 1992. However one banker commented yesterday that some of the cash raised had been needed for MCC's working capital.

The suspension follows last week's announcement that MCC's interim results, due last Thursday, would be delayed. One banker last week described the solution of MCC and its debt of between £1.1bn

Continued on Page 22

Lex, Page 22
Private debt hidden, Page 31

EC monitors call for action against Yugoslav forces

By **Laura Silber** in Belgrade and **David Gardner** in Brussels

EUROPEAN Community ceasefire monitors in Yugoslavia have strongly criticised the Serbian-led federal army for attacking civilian targets and have called on the EC to make a "selective show and use of force" against the army.

In an internal document, leaked to the press in Belgrade, they say: "The warship that fires on a defenceless city from a safe distance out to sea must be put in a situation whereby it knows that it can do so at the cost of being promptly sent to the bottom ... [The army] must be aware that, if it shells a hospital, within 20 minutes of so doing it risks being obliterated."

The document goes on to describe the federal army as "a cowardly army, fighting for no recognisable principle, but largely, instinctively for its own status and survival".

In Brussels yesterday the EC moved to isolate Serbia by restoring aid, credit and trade access to four of the six Yugoslav republics, leaving the Serbs and, for the moment, their ally Montenegro subject to the sanctions imposed on November 8.

The EC's decision came as United Nations efforts to consolidate the ceasefire in Croatia appeared delicately poised.

The ceasefire is the prior condition for the despatch of a UN peace-keeping force and the resumption of political negotiations on Yugoslavia's future in The Hague which were broken off just before sanctions were imposed.

EC diplomats saw the move as adding to pressures for early diplomatic recognition of the breakaway republics of Slovenia and Croatia, although they said none of the Twelve was likely to force the issue until next week's Maastricht summit is out of the way.

They also acknowledged that Serbia's isolation might provoke Mr Slobodan Milosevic, its president, into spurning the peace efforts of Mr Cyrus Vance, the UN special envoy in Yugoslavia, and Lord Carrington, the chairman of the peace conference in The Hague.

Mr Vance met General Veljko Kadijevic, the federal defence minister, and Mr Milosevic in Belgrade yesterday to determine whether it would be possible to deploy UN peace-keeping troops.

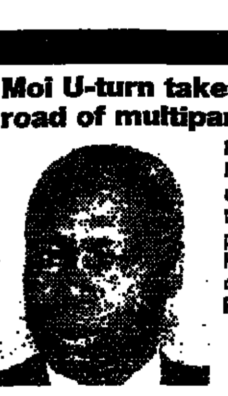
However, Croatian and Serbian media reported sporadic fighting in spite of the 14th UN-brokered truce.

The four republics on which sanctions are to be lifted are Bosnia-Hercegovina, Croatia, Slovenia and Macedonia. Montenegro's position was being reviewed, a British diplomat said, because of "conflicting evidence" on its complicity in Serbian expansionism.

For these four, the intention is to restore trade access, selectively re-establish the Phare programme of aid to eastern Europe, which the European Commission co-ordinates on behalf of the industrialised countries, and to re-open the aid and credit lines the EC formerly had with Yugoslavia.

CONTENTS

Moi U-turn takes Kenya down road of multiparty politics



President Daniel arap Moi, in the face of unprecedented domestic and international pressure, has set Kenya on the road of multiparty politics.
Page 4

MARKETS

STERLING
New York close
$1.773 (1.7677)
London:
$1.7765 (1.765)
DM2.8575 (2.87)
FFr9.77 (9.80)
SFr2.53 (2.535)
Y230.75 (229.5)
£ index 90.6 (same)

GOLD
New York Comex Feb
$369.9 (371.1)
London:
$367.95 (366.35)

N SEA OIL (Argus)
Brent 15-day Jan
$19.925 (20.25)

Chief price changes yesterday: Page 23

DOLLAR
New York close
DM1.6123 (1.6235)
FFr5.5115 (5.5505)
SFr1.4265 (1.434)
Y130.12 (129.95)
London:
DM1.609 (1.6265)
FFr5.50 (5.5525)
SFr1.424 (1.4345)
Y129.95 (130.05)
$ index 63.0 (63.5)
Tokyo close: 129.98

US closing rates
Fed Funds: 5⅛% (4¾%)
3-mo Treasury Bills:
4.469% (4.461%)
Long Bond:
101 1/32 (100 31/32)
yield: 7.898% (7.931%)

STOCK INDICES
FT-SE 100:
2,414.9 (−5.3)
FT-A All-Share:
1,164.78 (−0.4%)
FT-SE Eurotrack 100:
1,047.98 (−14.88)
New York close
DJ Ind. Av.
2,935.38 (+40.7)
S&P Comp
381.4 (+6.18)
Tokyo: Nikkei
21,992.29 (-695.06)

LONDON MONEY
3-month Interbank:
10 11/16% (10⅝%)
Liffe long gilt future:
Dec 93 23/32 (94 5/32)

EUROPEAN NEWS

Emu will not lay golden eggs for all

Business regards monetary union as good in parts, writes Charles Leadbeater

COUNTDOWN TO MAASTRICHT

EUROPE'S businessmen believe next week's Community summit will deliver them an alluring prize: an irrevocable commitment to deeper economic integration within the EC, cemented by a single currency.

Monetary union should bring clear benefits for companies which do business across European borders. Foreign exchange transaction costs will be reduced. There should be greater stability in the macroeconomic climate. Corporate planning on locating production will no longer be complicated by the need to offset fluctuations in the foreign exchange markets.

Yet it is surprising how few companies expect the gains from monetary union to be large. Emu will mainly benefit industries and companies which are, or could be, organised on a European basis. It should particularly help producers of commodities such as chemicals, glass and steel, as well as consumer industries like footwear and carpets where about 44 per cent of EC demand is met by imports from one member state to another.

It should also help industries where further economies of scale could be reaped. Many companies such as Britain's GKN, which makes motor components, have national factories serving each main national market, helping to offset the shifting exchange rates across Europe.

With monetary union in prospect there will be an added incentive to supply the entire European market from fewer, much larger plants, a model already pursued by well established US producers in Europe such as IBM and Ford.

Two groups of industries will feel fewer benefits.

In a range of international industries such as oil, aerospace and electronics which are dominated worldwide by US or Japanese producers, products are priced in the US dollar. The main currency issue is the fluctuation of European currencies against the dollar, and creating a single European currency is unlikely to reduce this volatility significantly.

For this reason, European oil companies say they are agnostic about the creation of a single currency. An executive at Airbus, the European aircraft manufacturer explained: "We tried to price aircraft in the Ecu or a basket of European currencies but even European airlines would not accept it because they are used to buying them in dollars."

Several other industries may retain a largely national character, either because public procurement and regulation favours local suppliers – railway equipment for instance – or because the nature of the product makes it less tradeable – such as construction services. These industries are traditionally confined within national borders and so have less to gain from the elimination of exchange rate fluctuations.

Business's main worries are the political terms which will accompany monetary union.

Political union will be essential to underpin the single market, according to Mr Eberhard von Koerber, chief executive of the German operations of ABB, the power engineering group.

"Political union is the most important issue. To create a single market we have to see cultures coming together to create a common spirit. Within ABB we have been bringing together different cultures for years to create a single efficient company, now we want to see politicians do that."

However, there are two main worries about the interaction of political and monetary union.

The most widespread fear is that the price of monetary union will be a political system which centralises power in Brussels which will intervene too deeply into the detail of how companies are run, through the social action programme and measures on consumer protection, for example. Most businesses have an open mind about proposals to create European networks in transport, energy and telecommunications. But they are concerned these could open the door for Brussels to dream up over-ambitious schemes which will be paid for eventually by higher taxes.

The second worry is that an economically integrated Europe might prove unsustainable because politicians have not thought through the implications of monetary union.

Mr Andrew Napier, head of the 1992 task force at Ford of Europe said: "Monetary union will raise big political questions for instance about fiscal transfer between regions, how money is raised for the structural funds. Not enough thought has been given to how those sorts of decisions would be handled."

European business is not homogeneous; it is not unanimous on all issues. Companies in developing areas of Spain, Portugal and Greece might favour higher spending on regional development, while their colleagues in the richer northern economies will worry about their tax bills. Energy consumers such as the chemical and steel companies favour an energy policy, while oil and electricity producers seem wary of it.

The main difference, however, is over the role of industrial policy. In France and Italy, where the state plays a more central role in industry, a commitment to industrial policy within the political union treaty is regarded as vital to support European industry. In Germany and Britain, business is wary of this and believes competition and deregulation should guide the creation of the single market.

Mr Napier at Ford of Europe sums up business expectations of Maastricht: "The worst outcome would be if they broke up without agreement. But it would also be bad if they embarked on something that was too ambitious, an unstable federation which might not bear the strains put upon it. The politicians have got to steer between those risks to make sure economic integration proceeds in a sustainable way."

Media microphones tune into European Commission president Jacques Delors before yesterday's meeting of Community foreign ministers in Brussels

Epu draft fuels fears over industry

By Andrew Hill in Brussels

THE frequently acrimonious Brussels debate over how far the EC should be involved in the management of industry policy has been fuelled by the latest draft treaty on European political union (Epu), which would commit the Community to ensuring "that the conditions necessary for the competitiveness of the Community's industry exist".

In Brussels, the significance of this statement depends on which Commission officials one is talking to.

To Mr Martin Bangemann, industry commissioner, and to industry officials the broadly-worded clause is simply an *affichage* – a superfluous bit of show for the benefit of the French government, which is still piqued by the Commission's decision to block the Franco-Italian takeover of de Havilland, the Canadian aircraft manufacturer.

"To be quite frank, we in the Commission and certainly in DG3 [the industry directorate] have not been convinced that this is absolutely necessary," says one senior official. "Our attitude is that we don't need a specific industry policy article because what is required can be done on the basis of existing articles."

Industry officials would apparently be happy if the clause were amended to refer to the year-old Commission document which laid out the ground-rules for a "hands off" industrial policy.

Competition officials from Sir Leon Brittan, the commissioner, downwards would also be satisfied if what they regard as a comparatively liberal and non-interventionist document were to become the formal benchmark of EC industry policy. But they believe the clause as drafted is potentially dangerous.

For one thing it could be open to wide interpretation. critics of the draft believe that, read alongside the preceding paragraphs committing the EC to help set up "trans-European networks" in transport, telecommunications and energy, it could encourage an interventionist programme of financial support for "industries of the future", to the detriment of competition policy.

The fear among Brussels' free-marketeers is that EC leaders – preoccupied with other treaty matters – will let the clause rest at next week's summit for fear of antagonising the likes of France, Italy and Spain.

Lubbers warns on revival of pessimism

By Ronald van de Krol in The Hague

A FAILURE to sign a treaty at next week's Maastricht summit would raise "the danger of a revival of the Euro-pessimism which we had seven years ago and which we managed to dispel", Mr Ruud Lubbers, the Dutch prime minister, said yesterday.

He said he detected a political will across the European Community to reach an agreement at Maastricht, but he added that there were still problems to be resolved.

"Europe has set itself a task and this now needs to be carried out. If you don't, you create a certain process of demotivation."

Mr Lubbers, whose country currently holds the rotating presidency of the Community, has held intensive talks with other European leaders over the past two weeks, including a total of seven hours of discussions with Mr John Major, the British prime minister, who visited The Hague on Sunday.

He declined to give details of their meeting except to say that both sides had gained "more insights" into the other's point of view.

Speaking seven days before the start of the Maastricht summit, Mr Lubbers said the crucial gathering must achieve an absolute minimum in four areas:

- It must prove that "Europe is more than a market by extending the EC into such areas as industrial and social policies.
- The summit must also put the EC "in an irrevocable way" on the road to economic, monetary and political union.
- At the same time, the treaty text must take up a common foreign and defence policy.
- It must also signal a considerable step forward in the powers of the European parliament.

Mr Lubbers sought to damp speculation about the potential need to call a second Maastricht summit if the first proves inconclusive, saying a second gathering would lack the necessary momentum.

"There has been so much talk already. We don't need to bombard one another with prolonged sermons," he said.

Poll lends weight to call in Britain for referendum

By Andrew Hill in Brussels

MOST European Community citizens are in favour of closer political and monetary union, according to an EC-wide opinion poll published yesterday, but the British are still divided on three key areas to be debated by EC leaders at next week's Maastricht summit.

The poll could lend weight to some British MPs' calls for a national referendum on a single currency, because it shows that Britons are almost equally divided on the issue – 40 per cent back the Ecu replacing the pound "in five or six years' time", with 42 per cent against.

According to the Eurobarometer organisation, Britain is also split down the middle about whether the Community should have greater power over external foreign policy and whether it should have a European central bank managed by national central bank governors. Both are among the knottiest issues which should be decided next week.

The British are not the most reluctant Euro-citizens. The Danes, whose government frequently stands shoulder-to-shoulder with the UK at ministers' meetings, still seem fundamentally opposed to a single currency (54 per cent against, and only 35 per cent in favour) and an EC foreign policy.

In general, however, EC citizens – 12,800 of whom were interviewed between mid-October and early November – favour the prospect of closer union, with the Italians, Dutch and Belgians the most enthusiastic.

Proposals to give more power to the European Parliament seem to have gained particularly strong support across the Community. Some 65 per cent of the people interviewed backed an element of "co-decision" for the parliament – that is, the right for MEPs to decide on EC legislation jointly with member states – and only 15 per cent opposed it.

The Eurobarometer survey also indicated strong support in the Community for controversial European Commission proposals to ban tobacco advertising, even among smokers, some 65 per cent of whom backed the plan.

Major fails to win over Mitterrand

By Philip Stephens, Political Editor

MR JOHN MAJOR, Britain's prime minister, yesterday sought to narrow his differences with President François Mitterrand over defence and social policy in a final burst of diplomacy aimed at avoiding British isolation at before the Maastricht summit.

But after two and a half hours of talks in Downing Street senior British officials said a "positive" tone at the meeting had not led to any breakthroughs.

The officials said they now expected more than half a dozen substantive issues in the negotiations on economic and political union to be left to heads of state to resolve at the summit.

They included the form of the opt-out clause from a single currency, defence and foreign policy, European Parliament powers, social affairs, industrial policy and Community competence in a range of areas.

The meeting appeared to confirm the view in London that the French president was prepared to be flexible in his demands but, at this stage at least, was not prepared to move significantly further towards the British position.

Mr Major, who will complete a flurry of bilateral meetings with talks in Dublin tomorrow with Mr Charles Haughey, his opposite number, sought to impress on the French president his government's immoveable opposition to any deal which undermined the central role of Nato in Europe's defence.

The British prime minister also explained that the Conservative party would throw out changes to the Rome Treaty which gave the Community control over social policy.

Kohl plea to east on wages pressure

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl yesterday warned that wage pressure in the former East Germany to catch up with the west could further aggravate unemployment, and undermine investor confidence.

In the face of rising demands for more government action to provide employment protection in the east, Mr Kohl called for "a sense of proportion" from both workers and employers involved in the current round of wage negotiations.

He also appealed to west German enterprises to step up their purchases from the east, in an effort to stimulate the recovery of the shattered former state industries there.

He defended the government's record of employment measures, combined with the privatisation efforts of Treuhand, in stopping the collapse of the east's economy.

Chancellor Kohl gave his largely optimistic assessment of the faltering recovery of the eastern economy, in the face of a series of gloomy economic prognoses, at the latest meeting of German industry, government and trade unions, summoned to discuss the problems of the unification process.

Union leaders attending the talks in Bonn called for an extension of government measures to protect the growing number threatened with unemployment in the east of the country, including the continued payment of extra money for early retirement.

There remains a deep divide over the need for eastern wages to catch up those in the west. Chancellor Kohl said that the top priority must be preservation of jobs, and that meant wage restraint. Mr Werner Hagedorn, chairman of the civil servants' federation, demanded that wages in public service be brought up to western levels by 1993, to prevent a drain of skilled workers into the private sector.

Mr Heinrich Weiss, president of the German federation of industry, said a survey of his members showed a growing number already buying inputs from eastern suppliers. Some 51.5 per cent of a sample survey intended to step up such purchases in 1992, he added.

Bulgaria aims to start up reactor

BULGARIA, suffering chronic power shortages, hopes to start using one of the largest reactors at its troubled Kozloduy nuclear generating plant later this month, energy officials said yesterday, Reuter reports from Sofia.

A spokesman said one of two 1,000 MW reactors, the largest and most modern of six units at the sprawling complex, had been recharged and could be reconnected to the national energy grid in two weeks.

The recharged reactor would raise Kozloduy's power production to two-thirds of its 3,800 MW capacity.

Kozloduy, which supplies 40 per cent of Bulgaria's electricity, has been plagued by problems in recent months.

There have been several radioactive leaks, a fire and technical failures, and international nuclear experts have branded the plant unsafe.

The two oldest 440 MW reactors at the plant were turned off recently after the experts criticised their safety.

Plant officials said last week that Bulgaria would have to find a new country to reprocess spent fuel from the plant, after the Soviet Union refused to take it unless paid in hard currency.

Officials said spent fuel from the recharged reactor would be kept for three years in a waste store at the plant, then transfered to a newly-built store where it could be safely kept for at least 50 years.

CBI delegation gives pledge of food aid to St Petersburg

By Anthony Robinson in St Petersburg

A BRITISH government pledge of £20m in food aid was handed to the St Petersburg city council yesterday by Mr Alan Lewis, who is leading a the Confederation of British Industry (CBI) delegation to the city.

The aid, agreed during a recent visit by Mr Peter Lilley, UK industry minister, is in the form of grain for animal feedstock destined for European Community stockpiles.

The decision to send animal feedstock is the response to appeals from local stockbreeders who would otherwise be forced to slaughter their herds this winter because of a sharp decline in grain supplies from the neighbouring Baltic states and the Ukraine.

The region around St Petersburg, formerly Leningrad, only produces 20 per cent of the foodstuffs needed to feed its 6m inhabitants.

Mr Georgi Khizha, the city's deputy mayor, said that independence for the three Baltic states and the Ukraine, coupled with the decision of Mr Boris Yeltsin, the Russian president, to move to dollar trading at world prices in intra-republican trade had caused a "catastrophic" food supply situation for the northern city. The last remaining supplies of preserved meat were delivered to city shops last week, he added.

The CBI delegation is investigating investment and trading opportunities in Russia's main port city where military industry, which used to account for 55 per cent of total output, is now desperately seeking foreign partners for conversion to civilian production.

The 15-strong delegation which includes British Aerospace, Brown and Root Defence and Industrial Ltd, and companies in the food, pharmaceuticals, textiles, construction, gas and telecommunications sectors reflects current Russian investment priorities.

Up to now, however, British companies account for only 30 of the 1,500 joint ventures signed between foreign companies and city enterprises.

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Ukraine hits at Union's heart

By John Lloyd in Moscow

MR Ivan Silayev, chairman of the Inter-republican Economic Committee and as such fulfilling the role of the Soviet prime minister, yesterday restated with crude force the Soviet case against a Ukrainian independence which now seems inevitable, following the 90 per cent vote in its favour over the weekend.

In an interview with the French daily Figaro, Mr Silayev warned of a "dramatic clash," of "tragic" or even "armed conflicts" if Ukraine did not join the new Union of Sovereign States to which seven of the formerly 15 soviet republics have agreed to adhere.

Russia, he said, "did not agree" that the Crimean peninsula – given to the Ukraine in the mid-1950s by the then Soviet leader Mr Nikita Khruschev – should remain in Ukraine's hands; Russia would re-open the question of all the borders between the two states; and it would immediately put trade between the two republics on the basis of world prices, forcing the energy-hungry republic to pay at least 10 times more, in hard currency, for oil and gas.

In a further interview, with the former Communist party daily Pravda, Mr Silayev said that though he did not "equate a declaration of sovereignty with secession from the Union", he was deeply concerned that a possible secession would "amount to violation of the nuclear non-proliferation treaty and increase the number of countries possessing nuclear weapons".

It is this which most concerns the west, too: all western countries will press the Ukraine to reduce to zero its nuclear arsenal – which it has said it wishes to do – though they now recognise that they cannot indefinitely withhold recognition until Ukraine does everything they wish.

For and against: Ukrainians debate the merits of independence in Kiev yesterday

In a stroke, the spectre of Ukrainian-Russian conflict is presaged; and though the Crimea voted by a reported 54 per cent for independence, the capital, Simferopol, was only 36 per cent in favour. Foreign observers in Moscow yesterday predicted that the Ukrainian Russians in Crimea and even in the Donbass region (where there was a heavy pro-independence vote) could constitute a disaffected minority.

One senior diplomat said: "In a hard winter, and if there is a struggle between Moscow and Kiev [the Ukrainian capital], the Russians will be drawn towards their fellow countrymen." He added: "Our impression is that the vote among the Russians was apathetic, and that they may be open to a swing in their views."

In fact, Russia has lost no time in recognising Ukrainian independence. News of the recognition "in connection with the democratic expression of the will of" Ukraine was broken yesterday on Russian television. It remains to be seen whether Mr Boris Yeltsin, the Russian president, will now seek talks on the Crimea, or on the borders, or on a new basis for inter-republican trade.

Mr Mikhail Gorbachev, the Soviet president, has said that a Union without Ukraine would be a "disaster", or that it would be "unthinkable": and he has threatened to resign if a union treaty, so far only initialled, is not signed. Yet the first indications are that he will have to think the unthinkable, or resign. Mr Leonid Kravchuk, the former senior Communist official now triumphantly elected Ukrainian president in the first round with some 60 per cent of the vote, stressed in his post-election announcements that he saw his country as wholly independent, and certainly not about to accede to any centrally organised union.

Mr Kravchuk told Reuters he was flying to the Belorussian capital of Minsk on Friday to discuss the formation of an economic union between the two states – possibly with Russia, the third and largest of the three Slav republics, as well. "Its headquarters would certainly not be in Moscow – perhaps in Minsk or Kiev," he said.

The shock of the loss of Ukraine still appears too great for many Russian officials to absorb. Yet the result appears decisive, the die cast. The very heart of the Soviet Union looks as if it is broken.

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Kravchuk is transformed into father of his nation

Chrystia Freeland profiles the ex-communist who has been elected president of the Ukraine

EUPHORIC radio announcers in Kiev woke listeners yesterday morning with the tidings: "You are now citizens of an independent Ukraine. Happy birthday, free Ukraine."

It was a particularly significant day for Mr Leonid Kravchuk who was elected the republic's president on December 1 and who must take much of the credit for the Ukrainian people's overwhelming endorsement of independence.

Just two years ago, Mr Kravchuk earned his keep as communist ideologue by lambasting "bourgeois nationalism". As a direct result of of the referendum on independence, the peasant's son from the traditionally nationalist western Ukraine will now be acknowledged as the father of the Ukrainian nation which, until yesterday, had only enjoyed two brief episodes of independence in the past millennium.

"People get the presidents they deserve," said former dissident Mr Mykhailo Horyn. Although he is deputy head of Rukh, the pro-independence movement which Mr Kravchuk once tried to ban, and campaigned hard for a different candidate, Mr Horyn made his observation with a broad smile.

"As a rule, the Ukrainian people are not radical, they are more centrist. To most people, Kravchuk appeared as a centrist," Mr Horyn noted. Then, barely containing his glee, he gave the reason why the Ukraine's former political prisoners are so willing to co-operate with their jailers.

"Although Kravchuk won, the programme of Rukh won, too, because our first tenet has always been independence."

Many democrats feel an ex-communist president is the price of an independent Ukraine and that paradoxically Mr Kravchuk is an apt symbol of their newly-independent nation. Indeed, the republic's astonishing support for independence in many ways mirrors Mr Kravchuk's personal transformation.

A sweeping 91 per cent of the inhabitants of the Russified, eastern Ukrainian cities of Kharkiv and Zaporizhia endorsed independence, a result which shocked even the most optimistic nationalist.

Mr Hennadi Turshynsky, a 47-year-old technician in the Russified city of Donetsk, described the impulse behind this result. "This is a lost city, a lost region, we have no identity, no church, no language. I hope that in an independent Ukraine we will become true human beings."

Mr Kravchuk insists that he has only cardinally changed his world view once and explains his intellectual odyssey as a shift from Hegel, Marx and Feuerbach to Mykhailo Hrushevsky, the Ukrainian historian who was briefly president of his nation in 1917.

There has been speculation that Mr Kravchuk, who is a skilful strategist, might soften his nationalist line after securing the presidency.

The contrary seems to be the case. At a meeting with international observers, Mr Kravchuk spoke as the self-assured leader of a powerful, self-confident nation which no one could afford to ignore.

"A great historical event has occurred which I am certain will not only change the life of the Ukrainian people but will change the face of the world," he said.

Mr Kravchuk's Ukraine, which will stand as the largest European state between Germany and Russia and will tower over its smaller east European neighbours, is likely to seek a place in Europe and reject the old Soviet Union.

But Mr Kravchuk said that the Ukraine would also seek close ties with the former republics of the USSR.

"Since 1922, we have had the experience of such tight co-operation that it was impossible to wiggle a single finger independently," Mr Kravchuk said. He insisted that future relations with Russia could only develop on an equal basis "without older or younger brothers". This could be tricky because an increasingly troubled Russia is unlikely to surrender its historic dominance over the rich Ukraine easily.

Mr Kravchuk has suggested the creation of a nuclear weapons co-ordinating committee made up of the Ukraine, Russia, Belorussia and Kazakhstan, the four republics with nuclear weapons, and a Chernobyl clean-up alliance consisting of the Ukraine, Russia and Belorussia.

Independent Ukraine seems poised to pursue aggressively a new, western orientation. It is developing strong ties with its four eastern neighbours, including Poland, which yesterday recognised Ukrainian independence.

But yesterday, Ukrainians set aside its worries.

"All my life I have been ashamed of my people," Mr Horyn said. "Even in the labour camps I always apologised for the Ukraine's cowardice. But today, at last, I am proud to be Ukrainian."

French railways plan 4,800 job losses

By William Dawkins in Paris

THE SNCF, the French rail board, is planning to lose 4,800 jobs next year because of declining European rail traffic and the computerisation of many white-collar posts.

The plans, which management has just placed before SNCF works councils, will add to the French government's growing worries about job losses in the private sector. A rising unemployment rate – 9.7 per cent in October – is the government's main headache over an otherwise resilient economy.

All SNCF's job losses will take place through retirement. About 7,800 French rail staff are due to retire next year, when the management plans to take on only 3,000 new employees, bringing the total to 194,000. The SNCF will have lost 2,800 jobs in the whole of 1991.

The next round of losses will be administrative and manual tasks capable of being automated. After consultation with works councils, the job losses will need the agreement of the government at an SNCF board meeting at the end of this month.

The group expects barely to break even this year, after a FFr117m (£12m) profit in 1990.

Long-distance traffic, mainly business travel, is set to fall from last year's 48bn passenger/kilometres to just over 46bn passenger/kilometres.

This year long-distance traffic is SNCF's only profitable activity, apart from its small parcels service, said a spokesman.

German steel workers remain defiant over Italian bid

By Leslie Colitt in Berlin

IMPROVED bids by German and Italian companies for the eastern German steelworks outside Berlin have failed to quell a strike by 5,000 employees of the Hennigsdorfer Steelworks which went into its second week yesterday over the planned sale of the plant.

The board of the Treuhand privatisation agency recently recommended that the steel mill, along with the Brandenburg Steelworks, be sold to Riva, an expanding Italian steel group. But the steelworkers at Hennigsdorf protested by occupying their plant. They and the Brandenburgers favour a rival bid by a German consortium of Thyssen, Badische Steelworks and Saar Steel. A decision on the sale is to be made at a meeting on December 17 of the Treuhand's managing board.

The Treuhand believes that although the rival bids are not far apart it is important to demonstrate that foreign companies have an equal chance to invest in companies in eastern Germany.

Supported by the German consortium, the workers at Hennigsdorf said the Italian group would lay off more workers. Figures leaked to the works council at Hennigsdorf purported to show that Riva planned to keep 700 out of the 5,000 employees while the German companies would retain more than 1,000 workers.

Subsequent figures showing that Riva would keep 1,200 people failed to lessen the opposition. However, Mr Peter Schulz, head of the works council at Hennigsdorf, said he favoured the group which guaranteed the most jobs.

The Hennigsdorf and Brandenburg steel mills are of such interest because of the wire rod and reinforcing steel they produce on relatively efficient equipment. Riva wants to nearly triple annual production at the steel mills from the current 600,000 tons. But this would cut into sales of the German steel producers who are opposed to such an expansion of capacity in the east.

The sprawling property site of the Hennigsdorf plant on the outskirts of Berlin is also regarded as a prime asset.

Polish invitation to manage funds

By Emma Tucker

INVITATIONS to international banks and fund management firms to bid for the running of Poland's new national investment funds will be sent out this week, Mr Jerzy Thieme, director of the country's privatisation project, said yesterday.

About 200 medium to large state-owned enterprises mainly in manufacturing and construction will be converted to companies and the majority shareholdings transferred to the 20 or so planned investment groups.

The closed-end funds will have Polish chairmen and some board members, but the day-to-day management will be carried out by western banks and fund management firms.

Mr Thieme said the ministry of privatisation had selected companies which were generally "in much better shape than the average Polish company" for the first tranche – 10 per cent of the overall privatisation programme.

The forecast turnover for the companies this year, based on half-yearly results, is $5.5bn with profits of $700m, according to Mr Thieme, who added that an opinion poll was being conducted to establish how people would like to see stakes in the investment funds distributed.

Mr Jan Ledochowski of SG Warburg, the merchant bank which has been assisting the privatisation, said that the forecasts had been drawn up soon after Poland had devalued, when trade with Moscow had stopped, and the recession was at its worst.

"What we are saying is these profits were earned probably during the worst possible time in recent months," said Mr Ledochowski.

Earlier this year the ministry announced that every Polish adult would receive a participation certificate in each fund for a nominal charge. However, Mr Thieme said since the ministry did not know what charge everybody could afford it had decided to conduct an opinion poll. One suggestion is that people paid by the budget (such as teachers, doctors and nurses) should receive favourable treatment.

Mr Thieme said the ministry hoped to have the results of the poll by the middle of January.

King Hassan gives assurance to Italy on investments in Morocco

By Robert Graham in Rome

KING HASSAN of Morocco has assured the Italian government a two-year-old agreement to guarantee Italian investments in his country will be ratified in early 1992.

The two countries have also signed an economic co-operation agreement designed to boost industrial relations. This is the main upshot of a visit here last week by King Hassan, the first the Moroccan monarch has made.

The visit appeared to be part of an attempt by King Hassan to persuade the Italian government to focus on investment and trade opportunities in Morocco. He also wants to reassert his international profile at a time when his country has come in for serious criticism for abuse of human rights and is awaiting the outcome of the forthcoming referendum on the future of the former Spanish Sahara.

King Hassan: seeks to raise international profile

Italy is currently Morocco's third-largest trading partner after France and Spain. Last year Italy exported L572,000m ($478m) worth of goods, equivalent to 6.3 per cent of total Moroccan imports, while Italy purchased L426,000m from Morocco, mainly foodstuffs (fresh and frozen fish) and phosphates.

Italian exports have been backed by a three-year, 1989-91, agreement with aid worth L80,000m and project credits to a ceiling of $140m.

Ratification of a convention guaranteeing Italian investments has been held up since 1990, allegedly because of bureacratic problems.

However, Italy has given relatively little attention to Morocco among the Magreb countries, focusing instead upon Algeria. Relations with the latter are considered of major strategic importance given its role as a supplier of natural gas.

In December 1990 Italy agreed to provide a total of $7.2bn in credit lines. Of this $2.4bn was earmarked to repay existing loans falling due in January 1993, and another $4.3bn to cover the purchase of goods and services in Italy.

Washington gives visas to PLO officials

By Tony Walker in Cairo

THE US issued visas to two Palestine Liberation Organisation officials yesterday in an effort to clear the way for the arrival in Washington of a Palestinian delegation for Middle East peace talks due to begin tomorrow.

In Amman, Mrs Hanan Ashrawi, spokeswoman for the Palestinian team, said that Palestinian delegates would be travelling to Washington overnight to "prepare for bilateral talks due to begin on December 4".

Delegates in a Jordanian-Palestinian team had said earlier that they would not travel from Amman to Washington unless similar courtesies were extended to PLO officials as had applied last month in Madrid, where the latest US-inspired peace effort was launched.

Mr Nabil Shaath, a senior adviser to Mr Yassir Arafat, PLO chairman, said in Cairo that seven PLO officials had sought visas, including himself.

The two who had been granted US visas were Mr Akram Henieh, a journalist, and Mr Taysir Arouri of the Palestinian Communist Party.

Mr Shaath, who led the PLO "advisory" team in Madrid said that it appeared "almost as if the US was engineering a crisis to shift the blame from Israel to the Palestinians". US attempts to convene a new round of face-to-face talks between Israel and its Arab neighbours, including a Jordanian-Palestinian team, are in trouble in any case, since Israel had sought a delay until December 9, five days after the US-nominated date.

Israel's cabinet on Sunday reaffirmed an earlier decision to delay participation in the Washington round until next Monday, although room was left open for compromise.

In Washington, a State Department spokesman said the US dealt with visa applications on a case-by-case basis and would grant them only for humanitarian reasons.

The PLO, excluded by an Israeli veto from direct participation in the peace process, is seen by Palestinians as their sole legitimate representative.

The US nominated Washington for the second round of talks after Israel and its Arab neighbours failed to agree on a venue. The first bilateral discussions – the cornerstone of the latest US peace initiative – were held in Madrid early in November.

Israel, which has grown increasingly critical of what it regards as America's less than even-handed mediating role, wants the talks moved back to the Middle East region, possibly to Cyprus.

Israel sending confusing signals

By Hugh Carnegy in Jerusalem

ISRAEL will not be present to resume Middle East peace talks in Washington tomorrow and there were even doubts over its own proposed date of next Monday, Mr Yossi Ben Aharon, the director general of the prime minister's office, said in Jerusalem last night.

"Wednesday is out of the question now," said Mr Ben Aharon, an adviser to Prime Minister Yitzhak Shamir.

Syria, Lebanon, Jordan and the Palestinians have all accepted the US invitation to engage in bilateral negotiations with Israel on December 4, continuing the process begun in Madrid in October. But Mr Ben Aharon told the Financial Times the only Israeli presence in the US capital would be a "technical presence" to prepare for later talks.

Adding to the confusion that has surrounded Israel's stance since it refused the American invitation, he stressed that Israel wanted a response before resuming negotiations to its proposal that the talks with the different Arab parties be staggered on different days, to avoid the appearance of co-ordinated negotiations.

It also wants to move back to the Middle East after only two sessions in Washington. Other officials said Mr Shamir remained committed to starting talks on December 9.

Soviet immigration falls sharply

SOVIET Jewish immigration to Israel slumped in November to its lowest level, apart from a sharp fall during the Gulf war, since the influx got under way in early 1990. Officials said rising unemployment was deterring would-be immigrants despite worsening economic conditions in the Soviet Union, writes Hugh Carnegy.

Ironically, the slower rate is around the level many economists believe would give a spur to growth without putting excessive strain on the economy. But it is counted as a failure by the government because of the Zionist commitment to take in as many of the world's Jews as possible – especially those reckoned to be in distress.

The authorities said 8,090 Soviet Jews immigrated in November, down from almost 9,850 in October and the lowest monthly total this year apart from February, when the Gulf war cut the number to 7,160.

■ Jewish settlers said yesterday that they would start another town in the occupied West Bank to avenge the shooting of an Israeli and threatened to send armed patrols into Palestinian areas Reuter reports from Jerusalem. "Wherever Jewish blood is spilled, a settlement has to rise," Mr Zvi Katzover, mayor of the Kiryat Arba settlement, said. "We will put a settlement there no matter what."

Some 110,000 Jewish settlers, living in fortified colonies among nearly 2m Palestinians in the West Bank and Gaza Strip, fear the US will force Prime Minister Yitzhak Shamir to give up land.

EC backs Lockerbie case demand

By David Gardner in Brussels and Mark Nicholson in London

THE European Community yesterday endorsed British, French and US demands that Libya surrender for trial two nationals alleged to be behind the Lockerbie bombing.

The EC-US alliance against Libyan-sponsored terrorism is intended to signal to Tripoli that it can expect a united European response if it fails to comply with the legal process against its alleged agents.

UK officials called the endorsement "extremely satisfactory" and came as Mr Douglas Hogg, Foreign Office minister, began a tour of Algeria, Tunisia, Egypt and Malta to seek support for the demand that Libya hand over the two men. Mr Hogg yesterday held talks with Mr Chadli Benjedid, the Algerian president, saying afterwards: "We are in full agreement on the need to try to find a peaceful solution." Mr Hogg then left for Tunisia, where he will also ask the government to petition Libya for the handover of the two men.

The EC calls on Libya to "comply promptly and in full" with demands to surrender for trial those charged with placing the bomb on the Pan Am airliner three years ago, accept responsibility for the actions of Libyan officials in the bombing; disclose all it knows of the case; allow full access to all witnesses, documents and material evidence including bomb timers; and pay appropriate compensation to families of the victims.

When the US bombed Tripoli in April 1986 it had support from the UK, but the EC as a whole was profoundly split over what many regarded the flouting of international law. Mr Douglas Hurd, the UK foreign secretary, told his colleagues that handing over the two suspects would not be enough by itself. "In view of a clear pattern of support by Libya for terrorism over many years," Mr Hurd said, "we must insist that they cease this support and show that they have done so."

The UK said that there was "no formal deadline", but has yet to receive any formal reply from Libya to its request that the men be surrendered.

Moi U-turn upstages opposition

Julian Ozanne and Michael Holman report on surprises from Nairobi

PRESIDENT Daniel arap Moi's unexpected U-turn yesterday, with his decision to open the gates to multi-party politics, has taken the Kenyan opposition by surprise.

By moving swiftly to fall into line with the democratic sentiments which have swept across the continent in the last 18 months, Mr Moi has also acted boldly to restore Kenya's tarnished reputation among international donors, who have provided $1.6bn of assistance in the last two years.

Some observers said yesterday that Mr Moi, in the face of unprecedented international and domestic pressure for political pluralism and economic reform had merely bowed to the inevitable.

However, few Kenyans expected the president, who has been Africa's staunchest defender of the one-party state, to go as far as he did. By announcing the dawn of multi-party politics Mr Moi has shown that he still controls the political initiative.

His swift conversion over the last few weeks to acceptance of political pluralism has demonstrated that he is capable of reacting to events with remarkable speed in an attempt to steal a march on the nascent opposition.

Although political opinion polls do not exist in Kenya, many observers say Mr Moi retains some popularity in the rural areas and among the minority tribes which were discriminated against under the regime of former president

Moi: acted boldly

Jomo Kenyatta. Mr Moi's likely next step will be to call a multi-party general election early next year in the hope that the powerful ruling Kanu party machine can steamroller an opposition which, while articulate, is badly organised, divided and offers no fundamental policy alternative to the economic reform programme already embarked upon.

Mr Moi can point to relatively sound economic policies of positive per capita economic growth and a sensible management of Kenya's exchange rate and external debt obligations during the 13 years of his presidency.

Although that record has been dented in recent years by widespread corruption, backsliding on economic policy pledges made to international donors, and mismanagement, particularly in the state-owned sector, Kenya remains one of the handful of African countries which can boast of political stability and economic growth.

Mr Moi's future however may depend more on whether the opposition can mount a united and credible challenge.

Apart from its organisational weaknesses, the opposition's task is a formidable one. It has to overcome ethnic, regional, personality and age differences which have so far been largely concealed under the umbrella of a broad demand for political change.

Chief among these differences is the ethnic composition of Kenya, as powerful a political factor today as it was nearly 30 years ago at independence.

Then, as now, any aspiring president and party can only win office through an ethnic coalition which takes account of the main four tribal groupings – the Kikuyu, the biggest single tribe, the Luo, the Luhya and the Kamba.

The opposition will also have to address the question of how to appeal to the "minority factor", the remaining balance of Kenya's tribes, many of which feel afraid of a Kikuyu-dominated government, and whose allegiance could conceivably tip the scales in a closely-contested poll.

The main opposition group that has emerged so far, the Forum for the Restoration of Democracy (Ford) has a leadership carefully chosen to reflect the tribal and political spectrum. Already, however, there are indications that some of the Kikuyu political heavyweights like Mr Paul Muite, chairman of the Law Society of Kenya, and Mr Gitobu Imanyara, a leading government critic, are unhappy about entering a coalition with the two leading lights of Ford – Mr Martin Shikuku and Mr Masinde Muliro, both veteran from the independence struggle and both members of the Luhya tribe.

In an interview last night, Mr Muite and Mr Imanyara confirmed they would launch a new political party on Thursday called the National Democratic Alliance which, while comprising leaders from several ethnic groups, is most likely to be dominated by the Kikuyus and their close tribal relatives, the Meru and Embu – which together make up 25 to 30 per cent of the population.

Both Mr Muite and Mr Imanyara, who are appealing to the younger generation, also said last night the pro-democracy opposition would boycott elections unless the government moved quickly to allow political parties to register, set up an independent electoral commission, agree a timetable for the election with the opposition and call in international monitors.

The split of the opposition into competing political parties could yet allow Mr Moi to gather enough support from voters driven more from fear of the alternative to put the president and Kanu back into power.

Lydia van der Meer

Making a point: the Dalai Lama faces the press after meeting John Major at Downing Street yesterday

Spiritual tone as Major meets Dalai Lama

By Alexander Nicoll, Asia Editor

MR John Major yesterday became the first British prime minister to meet the Dalai Lama, exiled god-king of Tibet.

The Dalai gave a diplomatic account of the encounter. The two had a "very pleasant meeting," discussing human rights and – in the presence of the Archbishop of Canterbury – "the value of spirituality in modern times".

He described in a measured manner his plans to bring democracy, a mixed economy and secularism to Tibet, which has been governed by China since being invaded in 1950.

Asked, however, by a Chinese reporter why he did not return to work with the Chinese authorities, the Dalai launched into an impassioned account of his dealings with China: his relationship of trust with some leaders including Chairman Mao, a string of broken promises and unfulfilled agreements while repression inside Tibet grew. The Dalai wants to visit Tibet in the company of senior Chinese leaders and outside observers. But China's proposal in response had made it useless to discuss this.

"If I returned I would get a lavish house, lavish food and a lavish big seal on my mouth," he said. In discussions with the Chinese, "the ear organ is missing. For mutual respect, it is very important to listen."

Mr Major met the Dalai "in his spiritual capacity as a man of peace". However, the prime minister also emphasised the importance of maintaining a dialogue with China because it was "too big and too important to be isolated".

Mr Major told the Dalai he had raised human rights, including those of Tibetans, in his meeting with Li Peng, the Chinese premier, in September. Britain has never recognised Chinese sovereignty in Tibet, but acknowledges China's "special position" there.

Banned politicians in Nigeria answer charges

NIGERIA'S military government yesterday moved against 11 banned politicians accused of illegally taking part in the programme to restore civilian rule next year, state radio said, Reuter reports from Lagos.

The radio said the 11 men, most of them prominent in the 1979-83 second republic which fell in an army coup, had begun to appear before a special tribunal in Lagos to answer the charges.

They were among several thousand former politicians banned by President Ibrahim Babangida's administration in 1987 from participating in the transition to civilian rule.

The charges were the latest in a series of military moves which have worried political leaders following allegations of corruption in party primaries to choose candidates for state governorships for elections on December 14. The radio gave only sketchy details of the tribunal's hearings, but said the 11 included Mr Abubakar Rimi, former governor of the northern state of Kano and Mr Lateef Jakande, the former governor of Lagos.

Australian recovery hopes hit by poor trade results

By Emilia Tagaza in Canberra

WEAK trade results in October have punctured Australia's expectations of slow economic recovery. Figures released yesterday by the government show a current account deficit in October of almost A$1.3bn ($323m) in seasonally adjusted terms, up 7 per cent from the September figure.

While the deficit is the biggest monthly shortfall this financial year, it is within the government's budget forecast. Nevertheless, there is concern that the recession in the US and the slowdown in Japan's economy might continue to depress the country's exports.

Seasonally adjusted, October exports fell 7 per cent to the lowest level in six months. Imports were down 3 per cent, leaving a merchandise trade surplus of A$130m, down from the September surplus A$300m.

Also disappointing to a government hoping for a housing-led recovery were figures showing home building approvals in October fell 2.4 per cent, seasonally adjusted. The building industry, however, sees the decline as a levelling trend.

Row looms over HK supreme court

By Angus Foster in Hong Kong

HONG KONG and Britain are trying to avert another damaging political row with China over the colony's proposed court of final appeal.

The two sides agreed on the structure of the court in September but Hong Kong political leaders, against the wishes of the Hong Kong government, have attacked the agreement as compromising judicial independence. China has hit back by claiming Britain is involved in a conspiracy with Hong Kong politicians to renegotiate a better deal.

China is expected to lodge strong complaints to Britain through the Sino-British joint liaison group. This body, which is overseeing the details of Hong Kong's 1997 return to Chinese sovereignty, had hoped for progress on a range of issues following Mr John Major's China visit in September.

But there are now fears that relations have deteriorated again. The last row between the two sides, which raged over Hong Kong's planned new airport, stalled progress on several issues, including the court. "We have not had a very long honeymoon," said a senior Hong Kong government official.

The joint liaison group's session is especially embarrassing because Hong Kong's legislative council, or parliament, is expected to pass a motion tomorrow urging Hong Kong to re-negotiate the court's structure. Britain and Hong Kong have insisted they will not renegotiate. But the court cannot be set up without the council's approval, which will be sought next year at the earliest.

The key point of contention is over the number of overseas judges allowed to sit on the court, which will replace the Privy Council in London as Hong Kong's final appeal court. Britain and Hong Kong wanted two of the court's five judges to come from overseas, but backed down to one judge to get agreement on the court's early establishment.

Mr Michael Sze, Hong Kong secretary for constitutional affairs, is expected to tell legislative councillors tomorrow that renegotiating for more foreign judges would endanger the court's existence after 1997 and set a precedent for China also to renegotiate deals.

China has warned that the court will be restructured after 1997 if it is not to its liking.

Mr Sze and other government leaders have been trying to rally support in the council but so far appear unsuccessful. However, some councillors may temper their calls calls to renegotiate given the strength of Chinese complaints.

Boat people arrivals at six-year low

The number of Vietnamese arriving in Hong Kong fell to its lowest monthly level in six years in November, Angus Foster writes.

Hong Kong has attributed the decline to the agreement in October between the UK and Vietnam on the forced return of all boat people who do not qualify as genuine refugees.

Only seven boat people arrived last month, compared with 300 in the same month last year. The number of boat people volunteering to return has also increased to record levels.

more than 60,000 boat people remain camped in the colony.

South Asian summit planned

Leaders of the seven South Asian Association for Regional Co-operation states (Saarc) will resume their abandoned conference in Colombo before Christmas, Mervyn de Silva reports.

The one-day summit will enable the leaders to pick up from an three-day conference early last month aborted when the king of Bhutan, pleading security problems at home, did not turn up.

Few doubts about Assad election

Cheering crowds of Syrians went to the polls yesterday for a yes-or-no ballot to give President Hafez al-Assad another seven years in power, Reuter reports from Damascus.

After days of noisy demonstrations in favour of re-election, long queues formed outside polling places in Damascus in spite of rain and cold weather.

Assad, now 61, seized power in 1970. Results of the ballot will be announced today but there is no doubt about the outcome. It will be his fourth term as head of state.

The president was nominated by parliament on November 17 as the sole candidate.

هكذا من الأصل

WHAT DO YOU CALL AN INTERNATIONAL OIL COLOSSUS THAT'S ALSO FRANCE'S BIGGEST INDUSTRIAL GIANT?

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WORLD TRADE NEWS

Major's plea prompts new farm trade talks

By David Dodwell, World Trade Editor

FARM trade negotiations between the US and the European Commission resume in Brussels and The Hague this week, following a direct plea last week from Mr John Major, UK prime minister and present chairman of the Group of Seven industrial nations.

Mr Major wrote to other G7 leaders asking them to "use their personal influence to close the remaining gaps" in logjammed farm talks, which have been blocking a successful end to the Uruguay round of world trade talks. The meeting has *attracted* controversy because it is to exclude farm ministers, seen as too vulnerable to pressure from their local farm lobbies to make the broad concessions needed to achieve a breakthrough in farm trade negotiations.

Mr Peter Lilley, UK trade and industry secretary, said in London yesterday that next week's Maastricht summit would be used to tackle the Uruguay round impasse if insufficient progress is made this week. The Maastricht agenda is already heavy, and EC leaders remain anxious not to "pollute" the summit with acrimony over farm trade.

Mr Major is expected to discuss the trade talks when he meets President François Mitterrand in London this week. France is the most strident of EC member states over limiting Uruguay round concessions on farm trade. Mr Lilley set the stage for those talks yesterday when he warned at the Institute of Directors in London that if a trade talks breakthrough is not achieved before the end of the year, the Uruguay round "will be dead". "It is over and out by the year end," he added.

"Agreement is possible. It is urgent. It is vital," Mr Lilley said. "It would be unthinkable for the Community to hold up agreement to spread the benefits of freer world trade in which it so deeply believes."

He called for three immediate initiatives: the conversion of political progress into detailed texts; a final intensive round of bilateral talks between the US and the EC, but away from the media spotlight that played a part in frustrating success a year ago; negotiating teams should reveal their bottom-line positions, if not to other negotiating parties, then at least to Mr Arthur Dunkel, Gatt director-general, who can then prepare a final agreement which "must be for acceptance, not for further negotiation".

He claimed farmers' fears for loss of farm trade protection were exaggerated; most subsidy payments were absorbed by storage, refrigeration and storage costs. At the same time, subsidies drove up farmers' rent and land costs: "All too little of the subsidy seems to end up in the farmer's pocket."

Lilley: 'It's over and out by end of the year'

Uruguay Round negotiators wait for signals on a deal from Brussels

NEGOTIATORS from some 100 countries in the Uruguay Round trade talks in Geneva are hoping this week for a signal from Brussels, where the EC and US are to try again to find a way out of the *impasse over agriculture*, *William* Dullforce reports from Geneva.

Mr Julius Katz, US deputy trade representative, will join Mr Robert Zoellick, State Department undersecretary for economic affairs, for a meeting with senior EC officials, probably Mr Hugo Paemen, EC chief trade negotiator, and Mr Pascal Lamy, *chief* aide to EC Commission President Jacques Delors.

Waiting in Geneva, as Mr Arthur Dunkel, Gatt director-general, said on Friday, are the texts or outlines of accords amassed over five years' negotiations that would liberalise trade, reinforce the multilateral trading system, and boost the world economy.

Mr Dunkel proposed that negotia*tors paused for reflection during* Gatt's annual meeting on Tuesday *and Wednesday and returned for a* final intensive two-week exchange, *when they would settle remaining* core issues, leaving details to be worked out in the new year.

Without a green light from the Brussels meeting, *that* exchange will not occur. The EC and US have first to open their way for resuming bilateral talks on farm subsidies, renewing hope for a multilateral farm deal in the Round. Without a farm deal, the trade talks will not be completed in the next few weeks, at best being postponed until 1993.

This week's meeting in Brussels represents an exercise of the political will that Mr Dunkel, industrial*ists* and business groups have been urging as essential to complete the *Round. It is the result of an phone* exchange last week between Presi*dent* Bush and Mr Ruud Lubbers, Dutch prime minister and EC president.

In their first display of political will at the EC-US summit in The Hague on November 9, the two presidents and Mr Delors pledged to close the gap between the two big trading powers over farm reform.

Their farm negotiators failed to do so, leading some EC governments and trade officials to believe such a crucial negotiation could not be left to agricultural experts.

The negotiators were bound by instructions from EC farm ministers that did *not reflect the will of* the presidents, a trade official said. *But trade diplomats remain* sceptical about how political will can be exerted through this week's meeting in Brussels.

The inclusion as troubleshooters of Mr Zoellick and Mr Lamy, the US and EC "sherpas" at the last summit meeting of leaders of the seven industrialised countries, is controversial. "The best they can do is compare notes and see what might be done," one diplomat said.

US officials say a solution to the deadlock is impossible, unless the EC shows greater flexibility in cutting farm subsidies. At this stage, only *EC* heads of state could probably authorise such flexibility. They are *split on the issue and their* attention is focused on the next *Monday's summit on* EC political and monetary union at Maastricht.

The UK *wants* the Uruguay Round on the agenda at Maastricht. French officials say President François Mitterrand does not want the EC summit "polluted" by the Round. France, facing severe political problems, last week announced extra payments of *FFr2bn* (£200m) *to its farmers*, and is in no position to put before them trade agreement enjoining deep subsidy cuts. *Mr* Louis Mermaz, farm minister, said on Sunday he saw no possibility for a farm accord with the US.

It is evident the officials meeting in Brussels have a tough task. The best *they could do* would be to find a formula letting the EC and US farm negotiators resume talks. But, if US officials are to be believed, this would need some indication the EC is ready to offer more.

Both sides have agreed to cut subsidies in three areas: exports, domestic supports, and border protection. At the Hague summit, President Bush lowered US ambitions by agreeing to negotiate 30-35 per cent farm subsidy cuts over five years.

Some EC governments believe the Community has gone far enough by *accepting the demand from the US* and the Cairns Group of farm-ex*porting nations* led by Australia, for conversion of all import barriers to farm produce into tariffs to be progressively reduced.

But the US so far considers the EC offer inadequate. Washington wants to be sure any deal will lead to real, quantifiable cuts in subsidised exports of cereals, meat and other food products on world markets. Anything less could not be "sold" to a US Congress where trade protectionist sentiment is strengthening, US officials say.

The Uruguay Round is still hanging on the edge of a *cliff*.

Japan trade surplus expected to begin growing next year

By David Dodwell, World Trade Editor

JAPAN'S trade and current account surpluses are likely to begin growing again from next year, fuelling a surge in direct investment in the Pacific region, according to the London Chamber of Commerce in its latest International Economic Outlook. This could lift the region's share in world trade by more than one fifth, from the present 23 to 28 per cent by the year 2000.

Mr Geoffrey Dicks and Mr Shigeru Kaneko, in an assessment of shifting patterns in world trade, see Japan's current account surplus surging from \$63bn (£35.5bn) this year to over \$100bn. "Two years of tight money aimed at reducing asset and consumer price inflation have slowed domestic demand, to the extent that Japanese industry is again aggressively searching out overseas customers," they say.

The trade surplus is unlikely to grow with the US, which is "making only tentative steps out of recession". Instead, exports are expected to surge into Germany and the booming economies of the Pacific.

As Japan's direct foreign investment has risen from a *bare \$5bn in 1980 to almost* \$70bn last year, the US and *Europe have been the principal* targets, with many "trans*plants*" *set up to supply local* markets directly. But the 1990s *will see a rising proportion* flowing into Asia, with the *focus shifting from the newly* industrialising economies of Taiwan and South Korea, to mainland China, Vietnam, and Asean countries such as Indonesia and Thailand.

The Outlook sees a significant shift in the American pattern of trade, with US moving back into trade surplus with the EC after slumping into deficit in the mid-1980s, and reining in its bilateral deficit with Japan. Deficits with the rest of Asia are set to grow, with China "now the most rapidly rising component of the overall US trade deficit".

From a \$3bn surplus in its trade with China in 1980, the US slipped into a \$10bn deficit last year, the third-biggest country shortfall after Japan (\$41bn) and Taiwan (\$11bn). "This development appears to have survived the events of Tiananmen Square" in June 1989, the assessment notes. Overall, the Outlook sees the US current account deficit falling from \$92bn last year to \$64bn by 1995. The EC, which is different from Japan or the US in that a large proportion of its exports and imports goes to or comes from other countries within the Community, has also seen a changing pattern of trade.

While the overall trade deficit remains today similar to that in 1980 (around \$60bn), the deficit with the US has shrunk, *while that with the Middle* East has turned into a small surplus. But the bilateral deficit with Japan has trebled from *\$12bn in 1980 to \$32bn last* year, with that with the rest of Asia *doubling* from \$8bn to \$16bn. Germany, facing the *cost of unification, is expected* to shift from a \$47bn current account surplus last year to a deficit averaging \$20bn for the *first half of the 1990s. Italy's* deficit is seen to grow from \$8bn last year to \$26bn in 1995.

Volvo Trucks near Thai plant decision

By John Griffiths

VOLVO Trucks is expected to decide this week to proceed with building a commercial vehicle production and assembly plant near Bangkok.

The Swedish manufacturer has already formed a new wholly-owned subsidiary, *Volvo Truck (Thailand)*, which would oversee the project. According to Volvo, the Thai government's Board of Investment has already given its approval to the project. So far, Volvo has not specified the *size* of investment which would be involved.

By setting up local production, including component manufacture by local suppliers, Volvo would be able to bypass tight Thai restrictions and high taxes on imports of built-up vehicles. Currently, it sells 300 trucks and buses a year in Thailand. If the production project goes ahead, it hopes to lift sales to 2,000 a year by 1994. The Bangkok plant would also be the main supply source for the Japanese market, where Volvo sees sales of 1,000 units a year, also by 1994.

It would also be expected to give Volvo a foothold in other Association of South-East Asian Nations (Asean) states. These states, including Brunei, Indonesia, Malaysia, Philippines and Singapore, as well as Thailand, are regarded as one of the fastest growth regions for vehicle makers.

DAF, the Dutch truck maker, has already signed initial joint venture agreements in Thailand, Malaysia, the Philippines and Brunei for component making projects needing investment of over \$200m (£105m). These have yet to be finalised, however. They come under a wide-ranging industrial joint venture programme being developed by Asean as part of efforts to create a free trade area.

The projects in which DAF is *involved call for manufacture* of different but complementary *truck components*, including diesel engines, in the four countries *involved*. These would be shipped between the participant countries, *eventually* allowing local assembly of trucks in each. *The ultimate* logic of the ventures is an integrated truck-making industry for the region.

The Volvo project would *also* draw on a variety of component suppliers, in several Asean states, to provide the minimum 40 per cent "local" content needed for production in Thailand.

The new company, to become the centre for all Volvo's Far Eastern operations, would take over *from local* importer Swedish Transport Company. A managing *director*, Mr Rolf Sterner, has already been appointed. He *formerly* headed Volvo assembly operations in a *number of third* world countries, including Iran and Brazil.

Volvo already has truck import ventures with Daewoo Motor of South Korea and Isuzu in Japan.

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AMERICAN NEWS

US Congress set for sparring over tax cuts

By George Graham in Washington

REPUBLICANS and Democrats are preparing for 10 days of fierce sparring over the best kind of tax changes to stimulate the flagging US economy.

Although Congress is in recess, two of its key tax committees are planning hearings this week and next to explore various proposals for tax cuts.

These range from the package built around a cut in the capital gains tax rate, put forward last week by conservative Republicans in the House of Representatives and cautiously endorsed by President George Bush, to variations on the Democratic theme of a \$200-\$350 tax credit aimed at middle-income families.

The Democratic leaders in Congress have seized on the tax debate as an opportunity to attack President George Bush for inaction on the economy, but the argument could swing to favour the Republicans.

Democratic chiefs have argued that a capital gains tax cut would overwhelmingly favour the rich, but many more pro-business Democrats might be persuaded to back such a cut to stimulate the economy, leaving Mr Bush as the political winner. Several of the Democratic contenders for the party's presidential nomination next year have swung behind one form or another of a capital gains tax cut.

Mr Paul Tsongas wants a capital gains tax rate that falls with the length of an investment. Governor Bill Clinton of Arkansas, front-runner on the Democrats' moderate wing, favours a 50 per cent capital gains tax allowance for investments held longer than five years.

Rostenkowski: Credits now

Even Governor Mario Cuomo of New York, who has not yet announced whether he will run for the presidency, has argued for lower rates on long-term investments, offset by a higher levy on short-term gains.

Between these positions and the capital gains tax proposals of the Republicans, there could be room for negotiation.

The Republican package would phase in reductions over three years. In the first year, it would allow a 30 per cent allowance for gains on assets held more than one year. By its third year, however, the 30 per cent allowance would apply only to investments held longer than three years, with lower exclusions applying to shorter term investments.

Mr Bush said last week that he enthusiastically supported the Republican package, yet he remains less strongly committed to this as the right thing for the economy than he is to not being stampeded into doing the wrong thing.

The president's definition of the wrong thing probably includes the kind of middle-income tax credits proposed by Mr Dan Rostenkowski, chairman of the House ways and means committee, and by his Senate counterpart, Senator Lloyd Bentsen. Mr Bush would oppose such credits, especially if they were to be paid for by higher marginal income tax rates and a surtax on incomes over \$1m a year, as Mr Rostenkowski has proposed. The president's supporters argue these would be costly, but do almost nothing to lift the economy.

"We think the primary thing is to stimulate the economy. If the Democrats' objective is merely to redistribute, then we have a problem," said one Republican aide.

The business of trying to nail Noriega

Henry Hamman reports from Miami on the long trial of Panama's former strongman

AFTER nearly three months of testimony at the drug-trafficking trial of General Manuel Antonio Noriega, the US government's case against the Panamanian former strongman revolves around one issue – money.

Dozens of witnesses, including a high-ranking member of the Medellín cocaine trade cartel and a Panama City customs officer, have told their stories in the Miami federal district court. Their testimony mentions hundreds of millions of dollars alleged to have been paid in bribes, used to buy protection, deposited in Panamanian banks, delivered in suitcases, or flown in executive jets and cargo flights.

The government alleges that Gen Noriega conspired with the cartel to ship cocaine to the US, to launder profits, to protect cartel members from other governments, to transport chemicals used in manufacturing cocaine, and to operate a cocaine laboratory in the Panamanian jungle.

According to government witnesses, the general collected large amounts of cash for all these activities.

Those were the days: General Noriega and entourage in charge in Panama

So far, the government has not estimated how much money it believes Gen Noriega earned by, so it is alleged, putting his country at the service of the Medellín cartel.

But one witness alone, Mr Ricardo Belonick, former Panamanian diplomat turned drug smuggler and money launderer, claimed the general was paid \$10m for letting 20 drug flights leave Panama for the US.

Others have alleged that he received payments for allowing the cartel to use Panama's banks to launder hundreds of millions of dollars of drug profits. The general has also been accused of selling protection to cartel members when they were under pressure by Colombian authorities.

The picture of Gen Noriega put to the jury is that of a man who used his positions as head of military intelligence and later as Panama's ruler to amass a vast fortune.

So far, however, the government has not produced any witness who has been able to testify directly to having handed Gen Noriega any of the money he is supposed to have been paid.

Because part of the prosecution is being brought under the conspiracy law on Racketeer-Influenced Corrupt Organisations (Rico), the government has been allowed to introduce hearsay evidence of payments. In non-Rico cases, such testimony is generally not permitted.

While the case against Gen Noriega has focussed on the money he is alleged to have made from turning Panama over to drug traffic, the trial has also produced allegations of wide involvement by Central American and Caribbean government officials and politicians in the narcotics trade.

Judge William Hoeveler has allowed the prosecution considerable freedom in putting its case. The judge, who enjoys a reputation for granting attorneys latitude, has said he is seeking to conduct this trial like any other drug prosecution, avoiding making it a political case.

Sticking to that resolve could make it difficult for the defence to follow its announced strategy of arguing that, whatever US law Gen Noriega may have broken, that was with the acquiescence or encouragement of US officials.

However, during the testimony of Mr Carlos Lehder Rivas, a former member of the Medellín cartel now serving a US prison sentence, the judge did allow – over repeated government objections – testimony that the cartel had paid \$10m to the Nicaraguan contra rebels while the US was supporting the contras in their fight against the Sandinista government in Mangaua. The judge also allowed the defence to ask Mr Lehder if the cartel had shipped drugs via an airstrip on a Costa Rican ranch which has been named as a landing zone for US weapons going to the contras.

In examining Mr Lehder, the defence also resorted to another tactic it has used repeatedly – that of questioning the credibility of witnesses, based on the deals they have made with the government.

Many of the witnesses against Gen Noriega are convicted drug traffickers or are under indictment. The defence has made much of the government's concessions to these witnesses in return for testimony. In several cases, immunity from prosecution, the right of residence in the US and financial concessions have been granted in return for evidence against Gen Noriega.

During all this, the jurors sit impassively, many of them taking notes. Despite the publicity surrounding the trial, they are not being sequestered.

Although the government is now expected to call fewer than a planned 80 or more witnesses, it seems unlikely its case will be complete much before Christmas.

The duration of the defence case will depend largely on the willingness of the judge to open the trial to evidence about the behaviour of US officials and intelligence agencies.

Even after this long trial has ended, the general will have other legal battles. He is under indictment in Tampa, Florida, on a charge of marijuana smuggling, and he is the defendant in a civil suit by the new government of Panama, claiming that he diverted money from the Treasury to his own pockets. Also, he is a key figure in another civil suit by the Panamanian government against the Bank of Credit and Commerce International.

Quebec receives economic warnings

By Bernard Simon in Toronto

THE Canadian government is stepping up its warnings that Quebec will face heavy economic costs should it split from the rest of the country.

In his most aggressive attack on the francophone province's separatists, Mr Brian Mulroney, the prime minister, said in Montreal on Sunday that a sovereign Quebec would be excluded from the 1989 US-Canada free trade agreement and would have to negotiate its own deal with Washington.

Mr Mulroney has also repudiated suggestions by separatist leaders that a sovereign Quebec would be able to share a common currency with Canada, or that Quebecers could carry Canadian passports. The Quebec national assembly decided earlier this year to hold an independence referendum by October 1992, if no acceptable offer for a restructured federal system was received from the rest of the country.

Federalists had hoped that a vote could be forestalled if a suitable package was presented to Quebec during the course of next year. The government has now accepted however, that a referendum is probably unavoidable. Separatist fervour has lost some steam in recent months, but it could quickly revive if Quebecers perceived an unwillingness among English-speaking Canadians to make concessions in a new constitutional package.

A parliamentary committee trying to test public opinion on a set of proposals has been bogged down in disorganisation and partisan squabbling.

Mr Mulroney's warnings mirror the strategy used by the then prime minister, Mr Pierre Trudeau, in the previous referendum campaign in 1980. "An independent Quebec would be precisely that.

"Independent, economically weakened and alone, in a world where globalisation demands unity and competition demands strength," Mr Mulroney said.

Quebec business groups were among the most enthusiastic supporters of the 1989 free trade agreement.

But Mr Mulroney said that "an independent Quebec would not sweep into Washington on Canada's coat-tails, nor would the US give Quebec what it wants because it once was part of Canada."

Paraguay's ruling party in control

PARAGUAY'S ruling Colorado party looks set to dominate an assembly to rewrite the country's 1967 constitution, drawn up under the dictatorship of General Alfredo Stroessner. Early returns yesterday gave the Colorados an estimated 58 per cent of the vote, held on Sunday, John Barham reports from Buenos Aires.

The assembly is to try to create the first charter for democracy in the country's 180-year history. Gen Stroessner was toppled in 1989.

The turn-out was low on Sunday, despite a growing clamour for a reduction in the military's power and indignation over the alleged influence of President Andrés Rodríguez's family and associates. Disenchantment is also growing as the economy slows and inflation rises.

However, the Authentic Radical Liberal Party, the main opposition, took only 28 per cent of the vote.

Analysts say there is wide consensus on constitutional issues such as the need to bolster the judiciary and reduce the executive's wide powers. There is, though, much dispute over electoral reform, which the opposition hopes will reduce the power of the Colorado party machine.

Brazil debt talks set for this week

Brazilian government officials and leading bank creditors are set to meet in New York this week to start negotiations over a restructuring of the country's medium and long-term bank debt, writes Stephen Fidler.

This comes as the government is expected to initial tomorrow a letter of intent for a stand-by loan of some \$2bn by the International Monetary Fund. That is unlikely to be approved by the IMF board until early next year, if certain agreed legislation is enacted.

Mr William Rhodes, Citicorp vice-chairman, said the announcement of the letter of intent would add "a positive atmosphere" to the talks. Of Brazil's total \$107bn foreign debt, \$55bn was owed to banks at the end of 1990, although \$11bn of this was short-term.

Radicals take Argentine province

Voters in Argentina's impoverished north-western province of Catamarca voted in the opposition Radical party at the weekend, ending the 40-year rule of the province's leading political family, writes John Barham.

The Radicals took 55 per cent of the vote, while the former governor, Mr Ramón Saadi, polled only 34 per cent. The Saadi clan's domination of Catamarca ended after the suspicious death of a 16-year-old girl was linked to the government, causing widespread protests that led to Mr Saadi's removal from power by federal authorities earlier this year.

Voting in Catamarca and Tierra del Fuego was the penultimate round of mid-term congressional and gubernatorial elections. A run-off poll will be held next week in Tierra del Fuego because no party won a clear majority.

UK looks to overseas health care

By Alan Pike

MANAGEMENT consultants are working with some UK health authorities to see whether overseas experience of alternative ways of delivering hospital services could be applied in Britain.

Mr Michael Malone-Lee, National Health Service director of corporate affairs, told a FT health care conference in London yesterday that greater attention to matching work demands to the capacity of individuals could bring improvements of 20 to 30 per cent.

Mr William Waldegrave, health secretary, said that increasingly common solutions to health care problems were being adopted globally.

He said international comparisons showing relatively low health expenditure in Britain often concealed that a high proportion of the nation's total health spending came from public finance. In Britain the private sector funded only 13 per cent of health care compared with 25 per cent in France, 27 per cent in Japan, 28 per cent in Germany and 68 per cent in the US. "The figures, if you like, measure the success of the public health system in Britain in restraining the growth of the private sector," he said.

Cabin crew vote for industrial action on BA

BRITISH AIRWAYS flights could face disruption after members of cabin crew voted last night to stage industrial action over management plans to change working patterns.

Leaders of the British Airways Stewards and Stewardesses Association (Bassa) said domestic and international flights could be affected by a series of mass meetings sanctioned by the ballot which have to be held within 28 days.

Bassa members, who comprise about half the 9,000 cabin crew staff employed by British Airways, voted by 2,070 votes to 564 in favour of holding the meetings.

Leaders of Bassa, which is part of the Transport and General Workers' Union, say the company is seeking to reduce minimum rest breaks on short haul flights and increase maximum flight times on long-hauls. The proposed changes are part of a series of cost-cutting measures.

In some cases, the union says, the changes would mean that BA would be implementing the minimum conditions required to comply with Civil Aviation Authority requirements.

On short range flights, the union says, guaranteed breaks between flights would be reduced to 1 hour 45 minutes.

The maximum shift on a long flight would increase from 16 to more than 21 hours.

British Airways would not comment on the detail of its proposals, saying they were still under discussion. It confirmed, however, that it was looking for increased efficiency and wanted more flexibility from its cabin crew members.

In common with other airline companies, BA has been suffering severely during the recession. Earlier this month it reported that pre-tax profits in the first half of the financial year were - at £185m - 42 per cent lower than the corresponding six months of 1990.

Two years ago BA's European and UK domestic services were disrupted when short-haul cabin crew held a 24-hour strike in support of an air stewardess who was sacked for alleged irregularities in the conduct of an in-flight bar.

In an out-of-court settlement, several months after the dispute had been settled, the stewardess was offered her job back.

British Midland issues warning on airline slots

By Daniel Green

BRITISH MIDLAND Airways, the UK's second biggest scheduled airline, yesterday threatened to end flights to three UK cities from London Heathrow to make room for new services to Brussels and Frankfurt.

The move comes after several unsuccessful attempts to gain extra landing slots at Heathrow to operate the international flights.

The destinations under threat are Liverpool, Birmingham and the East Midlands. British Midland (BM), which is 25 per cent owned by Scandinavian Airlines Systems, runs the only scheduled flights from Heathrow to these three airports.

"If we are unable to obtain sufficient slots for the new European services, we may have no alternative but to withdraw or reduce our services to these cities," said Mr Austin Reid, BM's managing director.

The carrier plans to start scheduled flights from London to Brussels and Frankfurt at the end of March.

Before abandoning the three domestic destinations, BM intends to ask the UK Department of Transport and Civil Aviation Authority to instruct British Airways to give slots to BM for the international routes.

Earlier this year, the government forced the transfer of some slots at Tokyo's Narita airport from BA to Virgin Atlantic for London-Tokyo flights.

British Midland says it can reduce the standard business class return fares to Frankfurt and Brussels by up to a third.

"Our cost base is at least 20 per cent lower than BA's", said Mr Reid.

BM already operates to Paris, Dublin and Amsterdam and the airline says fares there have already fallen by a third.

British Airways said yesterday that it did not object to competition for the slots but did object to substitution – the straight transfer of slots from one airline to the other.

"We will vigorously resist cutbacks or restrictions on our services," British Airways commented.

BM failed last week, at the twice yearly airport slot allocations conference, to win enough Heathrow slots to operate to Brussels and Frankfurt.

BM received all the slots at Brussels it asked for, but only some of those it wanted at Frankfurt.

● The International Air Transport Authority (Iata) reported yesterday that passenger numbers in October showed their first monthly rise this year.

Passenger traffic worldwide rose 3 per cent in October, with Asian carriers showing the greatest gains. But Iata warned that airlines still had "many painful months ahead".

Mr Gunter Eser, Iata director general, said: "This is the long-awaited encouragement for the industry, but such late growth cannot make a big difference to the year's traffic results."

Tony Andrews

Passengers at Heathrow pass an advertisement for British Midland, which is threatening to cut services to three cities

BRITAIN IN BRIEF

UK, France to develop new frigate

Britain and France are to collaborate on the development of a new naval frigate which will enter service early in the next century. The frigate will be equipped with a new type of air defence missile system and its task will be to escort and protect maritime forces. The decision to proceed with exploratory work follows a year of talks.

Governor seeks 3% inflation

Britain should reduce its annual rate of inflation to below 3 per cent to be able to compete on international markets, Mr Robin Leigh-Pemberton, the governor of the Bank of England has said. The UK should aim initially to get inflation down to the 3 per cent rate achieved between the Korean and Vietnam wars "but this will not be enough. Some of our competitors have even lower rates" he said.

Car production rises by 1.8%

UK car production rose by 1.8 per cent in the first nine months of the year, boosted by the rapid build-up of production by Nissan, the Japanese car maker, at its north of England assembly plant. Nissan output in the first nine months at 92,389 was 91.6 per cent higher than a year ago according to figures released by the Society of Motor Manufacturers and Traders. Overall, car production rose from 944,382 from 928,005.

£70m paid for ECGD division

The government is to be paid £70m for its sale of the ECGD's short-term credit insurance arm, Mr Peter Lilley, trade and industry secretary, has said. The Dutch export credit insurer, NCM, agreed terms of the purchase on Sunday. A total of £50m is to be paid for the capitalisation of the business, with a further £20m paid as goodwill. A total of £65m has been paid immediately, with £5m to be deferred until 1996, and dependent on the performance of its new subsidiary.

Warning of teaching cuts

Teachers' employers in England and Wales have claimed that the amount of money available to fund pay rises for teachers' next year was only 3.7 per cent more than this year, just over half the 7.1 per cent increase in education spending announced last week by Mr Kenneth Clarke, education secretary. The National Employers Organisation for School Teachers warned that cuts in the number of teachers might be needed if the independent teachers' pay review body made an award for April 1992 in excess of 3.7 per cent.

Work to stop on nuclear plant

Scottish Nuclear, the state-owned company which operates Scotland's nuclear plants, is to stop engineering work devoted to the possible reopening of Hunterston A magnox plant, which closed in March 1990. The company believes market conditions in the electricity industry are too uncertain to make reopening the plant a viable proposition, at least in the next two to three years. The team which had been studying the reopening of the plant for the past nine months is stopping work and decommissioning will continue.

Accountants hit by recession

Small and medium-sized accountancy firms in London have been severely hit by the effects of the recession, with fee income down 10 per cent and collection rates slowed by 54 per cent during the last quarter, a survey conducted by the London Society of Chartered Accountants shows. Consultancy and investment business fell 10 per cent in the four months to 31 October, while insolvency work rose by 30 per cent and tax work rose by 22 per cent. One quarter of firms suffered a drop in fee income over the past four months, and few expected this to improve during the next quarter, according to the survey.

Lydia van der Meer

A mock-up of a train which could revolutionise rail travel across London has been unveiled. Mr Denis Tunnicliffe, managing director of London Underground, (pictured centre in the mock carriage with Sir Bob Reid, chairman of British Rail, left, and Mr Roger Freeman, transport minister) said: "The benefit of the new route will be with us for several centuries". The train, which has a computer able to diagnose problems before they occur, will run on the east-west CrossRail route by 1999

Guinness trial may last longer

The trial of former merchant bankers Mr. Roger Seelig and Lord Spens, which started on September 26 is likely to last until April 1992: it was expected to take three months. The issues raised by Guinness's 1986 takeover battle for Distillers, and the detail in which they had to be examined, were more extensive than foreseen, the judge told the jury sitting in south London.

Lautro to review rules

Lautro, the Life Assurance and Unit Trust Regulatory Organisation, and the Department of Trade and Industry are to review the conditions under which life assurance companies are allowed to call themselves mutual and to describe their policies as mutual. This arises from fears that customers may find it increasingly hard to understand when they are dealing with a mutual life assurance company in which all the distributable profits go to the with-profits policy holders.

Homelessness 'may double'

Homelessness will double over the next ten years unless radical changes are made to Britain's housing system, according to Shelter, the national campaign for the homeless. In a report marking its 25th anniversary, Shelter warns that the UK housing system has become increasingly imbalanced as a result of continuing failure to invest in affordable rented homes.

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Opposition pledge on EC social policy

By Ralph Atkins and David Goodhart

BRITAIN'S opposition Labour party would seek to implement the European social charter in its first parliament after winning a general election, believing the burden on companies would not be great, Mr Tony Blair, the party's employment spokesman said yesterday.

Over the past few days the UK government and almost all employers organisations have been attacking plans to extend the scope of EC social legislation arguing that much of the planned legislation would be costly and destroy jobs.

Speaking ahead of today's council of ministers meeting on the proposed EC directive on working hours in Brussels Mr Blair accused the government of creating "scare stories".

The directive would not outlaw Sunday working, interfere with North Sea oil production, or cause problems for emergency services, he claimed.

Mr Blair also said that although the directive was unlikely to be passed by the council of ministers meeting today it could still return, and be passed by qualified majority by Christmas.

Labour would sign up to general principles but says detailed arrangements would be left to individual countries.

EC socialists likely to drop defence plans

By Ivo Dawnay, Political Correspondent

NEGOTIATORS for the British Labour party appeared last night to have persuaded their European socialist colleagues to drop a potentially embarrassing call for closer Community defence links, including a right of consultation over nuclear weapons policy.

As leaders of the EC's Confederation of Socialist Parties gathered for a two-day meeting in Brussels, it emerged that a highly contentious passage in a policy statement, set to be agreed today, had been deleted.

The draft text had called for the EC to "stimulate the creation of new collective security arrangements that would cover the whole of Europe." This would include consultation on nuclear questions under a new European defence policy aimed at co-ordinating the strategies of member states.

With a general election imminent, Labour has been anxious to ensure that the Confederation avoids any pledges in its meeting prior to the Maastricht summit that could fuel Tory claims that Labour is ready to "sell-out" British sovereignty in order to win EC allies.

In particular, the party has sought support from its 13 socialist EC sister parties to by-pass any public commitments on economic and political union that go beyond declared party policy.

But socialist officials in Brussels said the Confederation will debate an extensive four-page document, intended to propel the 14-party grouping further down the path towards full European Union.

Mr Neil Kinnock, the Labour leader, will use the two-day meeting to reiterate his claims that his party is now at "the heart of Europe" while watering down those aspects of the policy text that could prove difficult to defend at home.

There remain several points of difficulty including its UK party's resistance to the transformation of the Confederation into a European Socialist Party.

Mr Paddy Ashdown, leader of the Liberal Democrats, will also be in Brussels today to agree a joint strategy with the 12 party European Liberal Democrats and Reformists. The group, which includes the German Free Democrats, is pushing for a federalist outcome to the Maastricht summit.

BCCI liquidators win more time

By Richard Donkin

THE provisional liquidators of the Bank of Credit and Commerce International have run up $200m of overheads and expenses since taking over the bank in July a report revealed yesterday.

The report by Touche Ross, the joint provisional liquidators, was produced at the High Court yesterday which granted a further adjournment of winding up proceedings against the bank. The adjournment, unopposed by the Bank of England and creditors, was agreed to give provisional liquidators more time to negotiate a deal with Abu Dhabi on behalf of creditors.

Mr Brian Smouha, provisional liquidator for the Luxembourg holding company of BCCI, said that creditors of BCCI Overseas and BCCI SA, the two main BCCI banks, might expect to get 10 per cent of a negotiated payout towards the end of 1992, with prospects of receiving 30 per cent to 40 per cent in the longer term.

He said that the bank had been in an "even worse condition than we expected" when he was appointed in July. Without a plan of action agreed with the Abu Dhabi majority shareholders, he said, prospects of achieving a worthwhile dividend for depositors had been remote and it might not have been paid until the end of the century.

The judge, granting the adjournment until January 14, said that the affairs of BCCI and BCCI Overseas had been inextricably intermingled. Worldwide co-operation was essential to realise assets to the best advantage of creditors and to avoid long drawn-out litigation. He said that the BCCI group owed money to 800,000 depositors with 1.2m accounts in over 70 countries.

The Touche Ross report gave a precise figure for the first time on the estimated realisable assets which came to $1.159bn against $10.641bn total liabilities.

The report gave no estimate of what might be realisable in claims against First American Bancshares, the Washington-based bank which the US Federal Reserve Board says was secretly owned by BCCI.

Dr Adil Elias, chairman of BCCI Depositors' Protection Association criticised the fees and called the BCCI liquidation a "very substantial business indeed".

Newspaper alleged to have pirated software

By Alan Cane

MIRROR Group Newspapers, which publishes the Daily Mirror in the UK and The European, is being sued for alleged computer software theft in the latest move by software suppliers against software piracy.

The Business Software Alliance (BSA) and the Federation Against Software Theft, which represents personal computer software suppliers, yesterday obtained a court injunction preventing MGN using or destroying software which appeared to have been copied illegally. The BSA identified such software during a nine hour raid on MGN premises last week.

The injunction applies until settlement of the writ served on MGN by the BSA alleging copyright infringement. In the meantime, MGN is to inspect other software for legality before any further action is taken.

MGN is contesting the writ. It denies that the software was pirated, and told the court yesterday it denied any liability.

Companies can be fined for software theft and, under laws passed two years ago, executives can be prosecuted for encouraging or condoning blatant software copying.

The BSA, following a six month investigation, secured an order, enabling it to enter and search MGN's premises for materials it believed were obtained illegally.

Computer software is easy to copy and a lively business has sprung up providing manuals for illegally copied software. The BSA calculates that illegal copying costs the software industry over £300m a year in the UK alone.

The BSA has carried out some 30 inspections in mainland Europe and software copyright is the subject of a draft directive being prepared in Brussels.

Mr Bradford Smith, BSA's European counsel said yesterday: "We announced in July that we would continue to bring cases against big corporations where we obtained strong evidence of widespread illegal copying. Today's announcement is a direct result of these continuing investigations".

Baker attacked over asylum case

By David Owen

MR KENNETH BAKER, the home secretary, ran the gauntlet of prolonged and raucous opposition calls to resign yesterday as he told MPs that he would appeal to the House of Lords, Britain's highest court, against last week's unprecedented ruling in which he was found guilty of contempt of court

Speaking in the House of Commons, the embattled minister who is responsible for law and order, said he took full responsibility for the Home Office's actions in the case, which involved the deportation of a Zairean asylum-seeker.

He said the matter raised issues of "constitutional importance... which go far beyond the facts of the case which gives rise to them".

These concerned whether ministers and civil servants "acting in the course of their duties can be separated from the crown itself".

The court had recognised that the home secretary "had no intention to act in defiance of an order of the court, nor to hold myself above the law".

Mr Baker, who has looked particularly accident-prone during his year-long Home Office tenure, is the first minister to have had a contempt of court charge upheld against him.

Lord Donaldson, Master of the Rolls – the senior civil judge – said last week that the home secretary was in contempt because of his "personal decision" in May to cancel the asylum-seeker's return flight to the UK but that his culpability fell "at the lower end of the scale" because he had been wrongly advised by lawyers.

Kenneth Baker: faced repeated calls to resign

The court imposed no penalty on Mr Baker other than asking him to pay the legal costs – a bill which the Home Office said it would meet.

Spearheading the Labour assault yesterday, Mr Roy Hattersley said that if Mr Baker had wished to remain within the law as he claimed, the proper course would have been to accept the ruling and then appeal, rather than flouting the court's judgment.

The shadow home secretary asked: "Are there no circumstances under which you would feel it right to take the honourable course and resign from the office which you discharge so inadequately?"

He predicted that his opposite number would be called upon outside the House to justify his "incompetence".

In between the torrents of opposition invective, Mr Baker was staunchly defended by a series of Tory backbenchers.

In a separate statement, the home secretary agreed to reconsider the decision to deport Mr Karamjit Singh Chahal, a leading Sikh campaigner, and promised that Mr Chahal would be given another opportunity to argue his case in the courts.

This followed a demand yesterday by a high court judge to look again at the matter. Mr Justice Popplewell expressed "enormous anxiety" over Mr Chahal's case.

Political animal acknowledges cat calls

By Ralph Atkins

WITH the dignity of a recalcitrant cat, Mr Kenneth Baker, home secretary, yesterday accepted that he alone was responsible for the actions of officials and the junior minister caught up in his department's latest misadventure.

"Take him away," shouted one Labour MP in his best jailer's baritone. A chorus of opposition MPs shouted "resign" from the moment Mr Baker rose at the despatch box. Mr Speaker Weatherill had to intervene repeatedly to calm the baying of Labour MPs.

The home secretary explained to the Commons how he was to appeal to the Lords after the Appeal Court's decision last week that he was in contempt over the deportation of an asylum seeker. "I would like to make it clear to the House that I accept full responsibility for the actions taken in this case," he said.

But Mr Baker – a political animal of proven fighting ability – was on familiar territory. He has faced calls for his resignation many times before, only to fight another day. The record at the Home Office has become so ridden with apparent calamities that even he accepts privately that his career has become "incident laden", if not accident prone.

Mr Baker has taken the rap – although not the blame – for the escape of two IRA suspects from Brixton Prison. He has been criticised for delays in introducing the bill to stiffen penalties for "joy-ridding" by youngsters in stolen cars.

He overreacted to calls for the banning of dangerous dogs, creating confusion and anger over how many might have to die. Over the Asylum Bill, now passing through the Commons, he is charged by Labour MPs with excessive zeal in his bid to stem the mounting flow of asylum seekers.

With each crisis he has called in debts from political friends, and survived.

It is not just Mr Baker's apparent insouciance that irritates Labour MPs. His ability to sidestep political flak has led to charges that he is ducking his responsibilities. He showed the "decline in standards of political integrity", Mr Andrew Faulds, Labour MP for Warley East, said yesterday.

Mr Baker was grateful for the support he had from the Tory benches. "Nobody could believe that Mr Baker is capable of flouting the law." Mr Ivan Lawrence, Conservative MP for Burton, said.

Mr Alex Salmond, leader of the Scottish Nationalist Party, told Mr Baker: "Your credentials as a law and order minister are beginning to look rather threadbare."

Yet Mr Roy Hattersley, Labour's home affairs spokesman, is at a loss over how to react. A call for a resignation attracts headlines and undermines ministers' confidence but can quickly becomes valueless if repeated too often.

Perhaps Mr Hattersley knows the difficulties all home secretaries face – and he hopes to be in sitting in Mr Baker's chair at the Home Office not many months from now.

TECHNOLOGY

Cracks in the system

The installation of electronic document technology – as with other innovative computer systems – is rarely smooth sailing.

Morgan Grenfell Asset Management, for example, recently upgraded its in-house publishing system to streamline its production of client reports. Although expressing overall satisfaction with the system – the department has doubled its output in three years without adding to staff numbers – Kerry Francis, assistant director, has reservations.

"We chose a system which on the face of it solved all our problems," says Francis. "But it created problems while solving others."

Morgan Grenfell has been using Rank Xerox equipment for several years to compile two of the three sections of its report – the analytic section written by the fund managers and the reconciliation sheets. But the valuation of assets held was provided by an outside bureau. This proved expensive and inflexible: if the figures were incorrect it could take days to get a new set.

The company can now produce sets of figures in two hours by using the Rank Xerox Publishing System (XPS). But the system has proven inappropriate to the department's needs.

Francis describes XPS as suitable for printing large volumes of the same report, such as car manuals. But "we will never be able to standardise our reports to that extent".

Morgan Grenfell produces up to 500 reports every month, but no two will be exactly the same. The department began using the XPS system to produce 40 monthly reports for its US clients, but plans to produce the remaining reports on XPS have been shelved.

Nevertheless, XPS has brought unforeseen advantages. Managers at Morgan Grenfell have had to alter the way they work, taking on more responsibility for quality control procedures. As Francis points out, "These are good management practices to have in place anyway."

DB

Della Bradshaw describes how document imaging can make paper files a thing of the past

Speed is of the essence

When Lothian Regional Council introduced its community charge – or "poll tax" – registration system it estimated that between 20 and 25 per cent of the register would change every year. The Council soon realised that details on 50 per cent of the residents in the Edinburgh area changed annually. The result was an administrative nightmare.

"It resulted in 1.2m documents coming into the department per annum on paper," says Ian Rogers, community charges registration officer. The council looked at streamlining the paper-based system. But in the end, says Rogers, it became clear that electronic imaging was the only realistic solution.

Now as correspondence or completed forms are received by the Edinburgh office they are scanned into an electronic "in-tray". Each document is indexed for filing and retrieval, with each dwelling given a unique identification number.

One advantage is that the work from the electronic "in-tray" can be distributed according to employee ability, says Rogers. "You can send the simple cases to junior staff, while the more complex ones are handled by senior staff."

Once the document has been processed it is filed on optical discs. Even though documents filed years apart would be stored on different discs, the indexing ensures that once the file number of the home is typed in, the complete file is retrieved from the discs.

Although optical filing is expensive, the Lothian application has saved the council £250,000 in overtime payments and part-time staffing to deal with the backlog, says Roger, and a further £250,000 in filing space. More importantly, it means data is sent to the finance department rapidly.

Lothian Regional Council is not alone in facing a paper mountain. Some 95 per cent of business information is still held on paper, according to the Association for Information and Image Management in the US. Computer systems have compounded the problem because they are so good at churning out paper.

Companies that have shown particular interest in imaging systems are those that handle what Ken Olisa, general manager of Wang Europe, calls "high value" paper – cheques, invoices, receipts – in particular in the financial sector.

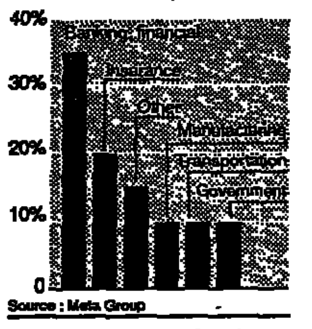
But widespread use of imaging systems in offices – "enterprise-wide processing" as it is often called – is unlikely to happen until the cost of specialised image-handling workstations falls, says Ajit Kapoor, vice-president of the image management strategy service at Connecticut-based Meta Group. Today's workstations cost about £7,000 each.

As a result optical processing has been most readily accepted in specific applications within companies.

The Co-operative Bank in the UK, for example, is in the process of introducing an optical system to help staff verify the signatures on high-value cheques. When the cheques are sent overnight to the Co-op's main processing centres, the main computers will pull off the account number and other details for the cheques. It will then retrieve the stored signatures of each of those account holders from the optical discs and send them to an image-handling terminal in the same sequence as the cheques will appear on the desk.

Image installed base by industry in US

1991 revenues $2.22bn



Source: Meta Group

"The individual will just press a button and the signature will appear on the screen so that it can be compared visually with the next cheque on the pile," says David Dunlop, resources and planning controller. With the paper-based system staff have to retrieve the paper signature file for each account holder.

These niche applications can offer a safe route to "enterprise-wide" document imaging, says Erroll Roderick, European product manager for computer-related systems at Bell & Howell. "Many people put in a small filing system and then link it to different departments. They then modify the way they process the documents, meeting each other half way."

One company pursuing such a route is insurance company Norwich Union. When it decided to open a second office in Sheffield it had to enable staff in South Yorkshire to see the client files held in Norwich – many in paper form.

Having already begun to look at document imaging as a way of handling the enormous amount of paperwork generated and received in the insurance industry – "we're effectively a paper factory," says David Gibbs, organisation and methods manager – the company decided to use imaging technology between the two offices.

"When someone wants a file we capture it on image, and then it is on the system for all time," says Gibbs. "Eventually we will see the majority of our records on the imaging systems as a result."

If employees in Sheffield want to look at a file, they inquire over the computer network whether it is already on optical disc. If so, they can get access to it directly from the IBM-based computer system sited just outside Norwich. If not, the file is scanned on to disc. Both paper files, and those held in "micro-jackets" – 16mm microfilm – are scanned in. Norwich Union has 2.5m microjackets filed away, each one containing up to 20 images.

The Norwich example demonstrates that companies do not need to put all their old paper files on to optical discs at once. "Companies have to decide which are the key documents and convert those," says Roderick. Generally the key documents are those that need to be retrieved quickly – retrieving from an optical disc takes seconds, from microfilm or paper it can take hours or even days.

Piled high: sifting through the paper mountain

For Norwich Union the extended use of document imaging promises further benefits. "If we capture the paperwork when it first hits the company we can control what happen to it," says Gibbs. "With paper its not that easy." By using codes for each completed form it should be easier for the company to know automatically which queue to put the document in for processing. And documents can be processed on priority grounds. "We won't lose things at the bottom of the pile."

Gibbs also points out that it will enable the company to introduce a disaster recovery service, by holding back-up discs at a secure sight in case of fire. "I would doubt whether companies would keep more than one paper copy."

Ultimately Gibbs hopes the system will improve productivity, help estimate manpower more effectively, improve cash flow and – most important – help improve customer relations. "Ultimately we will be able to deal with inquiries when people phone up," says Gibbs.

Using a paper-based system such customer service is almost impossible, says Clive Vinson, of SD-Scicon. "Some widely accepted figures are that in customer service companies 70 per cent of the time taken in responding to a customer inquiry is spent in locating the documents. And 28 per cent of that time is taken up because the document has been misfiled. That means it can sometimes take a couple of days to respond to an inquiry."

Norwich Union standardised on IBM hardware for its imaging system. As a result Gibbs foresees no problems in integrating the system with other IBM hardware used by the company, for accounts, for example.

Other companies are not so fortunate, says Kapoor, in integrating their imaging system with their data processing system because of the "junkyard of software interfaces". However, he concedes it is just "a matter of time" before the standards issues are resolved.

Further developments in imaging are focusing on intelligent character recognition, so that incoming documents can be filed automatically – according to an index number or company name, say.

Nearer to hand are moves to integrate facsimile with image processing. In the case of the Co-operative Bank, for example, fax technology could help the bank extend its signature verification technique into the branches when a customer wants to cash a large cheque. The appropriate "document" could be sent to the branch from the main processing centre on request.

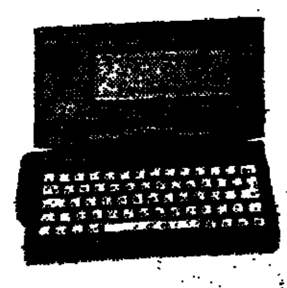
An article on document imaging in the engineering field appeared on November 26.

POCKET COMPUTERS

Little DIP takes a bow

By Della Bradshaw

Should a pocket PC be more than just an electronic diary and address book? Distributed Information Processing (DIP) clearly believes it should.



With its Pocket PC, also sold by Atari as the Portfolio, it has developed a hand-held gadget intended to complement the desktop machine.

Plug the parallel peripheral into the side of the Pocket PC, and the connecting wire into that, and even the most computer illiterate can transfer data between the pocket machine and a PC. Plug in the modem and data can be sent over the phone line to a remote computer system.

DIP insists that the mini machine, less than eight inches in length, cannot replace a full-sized PC. Anything more than filling in the names and addresses of a few contacts in the built-in address section would prove arduous.

However, because the keyboard is laid out in a qwerty format it was much easier for the inexperienced two-finger typist to input information than with an alphabetical keyboard plan.

Other built-in applications are a text processor, time manager, calculator and spreadsheet. The latter, compatible with the Lotus 1-2-3 package, was developed by DIP, although the data is displayed in an altered format.

By holding the Pocket PC up to the phone receiver and pressing the appropriate keys the machine sends out a series of "blips" to dial a chosen phone number from the address book.

The least expensive machine, incorporating these five basic applications, costs £179. From there things start getting expensive.

DIP is targeting the machine at business users and at particular market segments, such as the financial sector, which need to run extra programs. A machine with 512K of internal Ram (random access memory), which would be needed for this sort of applications, costs £399.95 without VAT.

On top of that extra storage requires solid state memory cards, about the size of a credit card. They are not cheap either: a 128K card, which would store some 50 closely-typed A4 pages, costs £113.

Although the machine on its own is relatively compact, it is difficult to imagine any business person ruining the line of a new suit by carrying the 1lb unit around in a pocket. A more expensive Pocket PC will buy you a range of add-on accoutrements and even a briefcase to carry them in.

Although developed in 1988, and first launched in 1989, the Pocket PC still has an impressive battery life. Given ordinary use the makers say that three AA batteries should last about six weeks. When not in constant use the screen, housed in the lid of the clam-like machine, turns itself off. By pressing any key the last screen automatically returns to the last data used.

The screen, which takes up to eight lines of text or figures, is relatively to easy to read, and can be made lighter or darker by pressing a combination of buttons.

One complaint is the clarity of the documentation. Perhaps because DIP intends its machine for use by those who already have PCs the instructions range from the sublime to the ridiculous. Page two of the "Getting Started" section explains, complete with diagrams, how to open the machine and which way up to hold it. By the time you get to page four the instructions are already recommending that you configure the size of the machine's Ram disc.

For the layperson a companion book, containing simpler instructions, costs £15.

The series began on November 26 and continues next week.

MANAGEMENT: The Growing Business

Twilight world of hard work

Charles Batchelor looks at the latest research

After more than a decade of intense interest in enterprise and the small firm, is there anything still left to discover about the entrepreneur and the small business owner? Yes, a great deal, according to the more than 200 academics who attended the 14th National Small Firms Policy and Research Conference in Blackpool at the end of last month.

The researchers presented nearly 70 papers on subjects as diverse as the psychology of the entrepreneur, training, ethnic minority businesses, predicting failure and the family firm.

Prominent among the research papers presented were those forming part of a £1.4m programme, funded mainly by the Economic and Social Research Council (ESRC). This is the most ambitious small firms research programme since the Bolton Committee Report of 1971, which revived interest in the sector. Now just over half way through its four-year life, it is beginning to generate the in-depth research which has sometimes been lacking in the past.

● A gloomy assessment of the contribution of enterprise programmes designed for young people was made by Robert MacDonald of Durham University. He painted a depressing picture of youth enterprise in Cleveland, an area which has traditionally depended on large manufacturing companies such as ICI and British Steel but which had suffered large-scale redundancies.

During the 1980s, Cleveland witnessed an amazing proliferation of government schemes to replace a "dependency culture" with an "enterprise culture" of new, small firms. More than 100 agencies in the region claimed to be involved in youth enterprise.

About 10 per cent of start-ups were successful businesses but 70 per "just plodded along" while some experienced failure. One car repair business failed leaving its young owner with debts of £6,000 which he was paying off from Income Support.

Young people starting in business were disadvantaged by their youth, their class and their locality, MacDonald said. They faced competition from larger established firms, from firms in the "black economy" and from other participants in government schemes setting up similar businesses.

"For the clear majority of youth, enterprise means neither glorious success nor gory failure but a twilight world of hard work, low pay, casual labour and insecurity as young people plod along, trying to secure a decent living through enterprise."

● There was also little comfort in a second study of small businesses in Cleveland which concluded that while the quantity increased during the 1980s, there was a decline in quality. More than 3,000 businesses were started in the area in the five years to 1989 compared with just over 1,100 in a similar period up to 1979.

But no fewer than one quarter of the businesses set up before 1989 were involved in either hairdressing or motor-related activities such as car and parts sales, repair and scrapping,

according to David Storey of Warwick University's Small and Medium-Sized Enterprises Centre.

More of the 1980s entrepreneurs were unemployed or likely to become unemployed when they set up than the 1970s business owners and fewer had previous business experience.

"We are concerned that many of these businesses are significantly smaller than their 1970s counterparts and they are heavily concentrated in sectors where the potential for growth is likely to be very limited."

● If the two Cleveland studies showed the vulnerability of very young businesses managed by inexperienced owners, a survey of survival rates among manufacturing businesses in London confirmed the advantages of age and experience.

Fifty-three per cent of businesses founded in 1970-79 had ceased to exist by 1989 compared with a closure rate of only 36 per cent of businesses founded between 1950 and 1969. This would suggest that firms generally need up to 10 years to become established, David North of Middlesex Polytechnic concluded.

Size also helped a business to survive. Less than half of firms employing fewer than 10 people in 1979 survived compared with two-thirds of businesses employing more than 20 people. Businesses which owned their own freehold premises also had higher survival rates than those renting office or factory space. While age, size and property ownership were common factors in business survival, survival rates differed markely between business sectors. Only 24 per cent of clothing businesses survived the 10 years to 1989 while the survival rate among toys and games companies was also very low at 35 per cent. This compared with survival rates of 88 per cent for printing firms, 82 per cent for pharmaceuticals and 79 per cent for electronics.

These findings supported the case for directing assistance at established, growing businesses rather than at small start-ups, North said. Support should also be tailored to meet the needs of specific business sectors.

● The rag trade and toy-makers had a difficult decade in the 1980s but one sector where good news clearly outweighed the bad was business services. The number of management consultancies and market research firms more than doubled. The growing complexity of the business world, competition, the internationalisation of business and rapid technological change all contributed to increased demand for consultancy and research services, according to David Keeble of Cambridge University.

The capital costs of setting up in business services were usually low and could be met, for the most part, from personal savings. Most small business founders were able to bring professional expertise, an existing reputation and a network of client contacts from their previous, usually large, employer. In manufacturing, by contrast, most entrepreneurs have a background in a small company.

New technologies played an important role in the growth of the sector. Cheap, high-performance personal computers, sophisticated software for data analysis and desk-top publishing equipment allowed small professional firms to compete on more equal terms with large companies. Unlike small manufacturing or consumer services companies, which tend to supply local markets, small business services companies had a larger number of clients outside their immediate locality. The breadth of markets served by these companies suggested that they have a more important part to play in regional and national economic growth than has hitherto been recognised, Keeble said.

● For small firms more in need of support, the Training and Enterprise Councils (Tecs) represent the most significant innovation in 30 years. The Tecs have taken over the direction of training and small firms support at a local level.

But it was not clear that the way Tecs were organised was the most appropriate for the task, said John Atkinson of Sussex University's Institute of Manpower Studies. For all the high expectations generated about the Tecs' performance, they will be dwarfed locally by both local employers and the local authorities in terms of training expenditure. In West London, for example, the Tec will have £10m-£11m to spend compared with an estimated £80m by local employers and a combined local authority spend of £60m.

Nor was it clear that the geographical areas covered by Tecs, which were based on administrative boundaries, related to labour market boundaries. There was little reason to suppose that the problems confronting small firms differed between one geographical area and another but every reason for them to differ by sector. It may make more sense for Tecs to develop small business packages designed for particular sectors of business rather than concentrate on serving firms just because they are local, Atkinson said.

Contact: Durham 091 374 3483; Warwick 0203 523741; Middlesex 081 368 1299; Cambridge 0223 333399; Sussex 0273 686751.

Venture capital

In search of friends

By Charles Batchelor

Britain's venture capitalists are feeling unloved. The industry has an image problem and must become more professional in its marketing if it is to appeal to a wider range of entrepreneurs and business people.

These were the conclusions of a series of presentations to the annual meeting of the British Venture Capital Association last week. The association, whose members are experiencing their first downturn since the 1970s, had asked entrepreneurs, accountants and bankers what they thought of venture capitalists.

Despite the unfavourable publicity about bank lending to small businesses, banks emerged as the preferred source of long-term capital among entrepreneurs who had not used venture capital. They were followed by individual investors, corporate investors and, in fourth place, venture capitalists. who were unpopular because they were seen as demanding too much equity in return for their investment.

More encouragingly for the venture capitalists, entrepreneurs who had made use of venture capital were far more positive. Two thirds of those surveyed by London Business School said they would recommend it to a friend.

However few entrepreneurs had chosen to turn to venture capital for the reasons which the venture capitalists themselves like to promote. The venture capital industry prides itself on providing hands-on assistance and not just cash.

But when asked which factors influenced their choice of venture capital investor, entrepreneurs put at the top of their list "the terms of the offer", (mentioned by 64 per cent) followed by "availability of funds for future expansion," with 44 per cent. The promise of "on-going help" was mentioned by only 22 per cent while, in answer to another question, 61 per cent said they were seeking "funding with a passive hands-off relationship."

The survey of bank managers and accountants revealed that less than half had ever met a venture capitalist while only 12 per cent had regular contact with them. Despite this poor score, 59 per cent of intermediaries would recommend venture capital because of what they had heard or seen in the media and from venture capitalists' mailings.

But overall the surveys showed that the venture capital industry has failed to market itself effectively, according to Stuart Brayne of Marketing Improvements, a consultancy.

The value of venture capital was not understood and, in the eyes of the entrepreneur, there was little to differentiate between the different venture capital companies, he told the conference. Entrepreneurs saw price as the venture capitalists' main distinguishing characteristic. Once customers develop a better understanding of the venture capital industry, they will shop around more, Brayne warned.

Waking up to networks

Imagine a list of Britain's regional financial centres. Manchester, Leeds, Bristol, Guildford... Guildford? Does a sleepy town in the Surrey commuter belt really deserve a place alongside other more evidently dynamic locations?

The answer will be 'yes' if a breakfast club of local professionals, solicitors, accountants, bankers and a venture capitalist has its way.

Ten members of Guildford's professional community met last Friday over croissants and coffee in the local office of accountants Pannell Kerr Forster to discuss the state of the Surrey economy and how to raise Guildford's financial profile.

This was the fourth in what participants hope will become a regular six-to-eight-weekly series of breakfasts to improve local networks.

If professional firms can work together more closely they can provide a better service to local companies, says Tony Cornelius, Pannell's local managing partner. If the banker, accountant and solicitor involved in a deal all know each other they can act more quickly and more effectively than if they are dealing with an anonymous professional in London, he says.

As London firms relocate to be near the M25 motorway there is a greater demand for professional services outside central London, says Tim Harrison, local director of 3i, the venture capital company. Surrey also has a good spread of "old money" private companies with turnover of £10m-£20m as well as a growing number of high-tech businesses near the M4 corridor.

Until recently Guildford's professional community was as low-key as many of the local businesses. Active promotion was not necessary during the booming 1980s but all are now anxious to boost their profile and business.

But are there not existing networks which could do the job as well as, or better, than an informal breakfast club? Apparently not. Many of the participants are members of the local chamber of commerce but they view this as representing the interests of small traders rather than professionals like themselves.

And is there not a danger that a club of this kind will mean the professionals cosy up to each other to carve up the local market? The breakfast meetings do not discuss individual deals but inevitably gossip and opinions are exchanged. The participants are adamant, though, that individual client loyalties are paramount.

They believe that by creating a local network of professionals, they will be able to improve the quality of service provided to the Surrey business community.

Charles Batchelor

هكذا من الأصل

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Cardiff	**Robert Ellis**	0222 481111
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For brief particulars of sale please apply to the Joint Administrative Receivers, G C S Baker and T Frid, Ernst & Young, 37 New Walk, Leicester LE1 6TU. Telephone: (0533) 549818 Fax: (0533) 551357

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For further details please contact the Joint Administrators: Allan Griffiths or Malcolm B Shierson, Grant Thornton, Heron House, Albert Square, Manchester M2 5HD.
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BUSINESS FOR SALE

AUCTIONS

LEGAL NOTICES

In the matter of Intrateq Transport Equipment) Limited and In the matter of the Cyprus Companies Law Cap 113

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 3rd day of January 1992 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Haji Roussos FCCA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, are debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 3rd day of December 1991.
A Haji Roussos FCCA
Liquidator

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVER KERDAN GROUP LIMITED

Registration number: 1888888
Nature of Business: Motor Vehicles and Petrol Sales
Trade classification: 19
Date of Appointment of administrative receivers: 22nd November, 1991
Name of person appointing the administrative receivers: National Westminster Bank plc
Administrative Receivers:
Peter S. Dunn FCA, David A T Wood FCA,
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB
Office Holder Number: 008368 002968

IN THE MATTER OF ADMINIDALE LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Members on 14th November 1991.
Dated this 14th November 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

ALCANTARA TRAVEL LIMITED IN ADMINISTRATION

(Administration order made 13 September 1991)

Notice is hereby given that a meeting of creditors in the above matter is to be held at The Angel & Royal Hotel, High Street, Grantham, NG31 6PN at 2.30 pm on 12 December 1991 to consider my proposals under Section 23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors. Proxy forms should be completed and returned to Cork Gully, Abacus House, 32 Friar lane, Leicester LE1 5RA by the date of the meeting. If you cannot attend the meeting and wish to be represented, in order to be entitled to vote at the meeting you must give to us details in writing of your claim not later than 12.00 noon on 11 December 1991.

I. Robert Bailey
Administrator
27 November 1991

NOTICE TO CREDITORS TO SUBMIT CLAIM IN THE MATTER OF ADMINIDALE LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company, which is being voluntarily wound up, are required on or before the 15 January 1992, to send in their full forenames and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned Peter S Dunn FCA, of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB the Liquidator of the said Company, and, if so required by notice in writing by the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 14th day of November 1991
P.S. Dunn, Liquidator

MEETING OF CREDITORS IMAGESOURCE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of The Insolvency Act 1986, that a meeting of creditors of the above-named Company will be held at 1 Maddox Street, London, W.1., on 4th December 1991 at 11.00 a.m., for the purpose mentioned in Sections 100 and 101 of the said Act.

A list of names and addresses of the above company's creditors will be available for inspection, free of charge, at 19A, Cavendish Square, London W1M 9AB., on the two business days falling next before the day on which the meeting of creditors will be held.
Dated this 21st day of November 1991
Richard Selby, Director

SEMINARS

CLUBS

FT LAW REPORTS

Generalised group relief claim is valid

GALLIC LEASING LTD v COBURN (HM INSPECTOR OF TAXES)
House of Lords
(Lord Keith of Kinkel, Lord Templeman, Lord Oliver of Aylmerton, Lord Goff of Chieveley and Lord Lowry):
November 28 1991

A CLAIM for group relief from corporation tax is valid if it alerts the inspector to the fact that reliefs are to be sought by an identifiable claimant in respect of identified profits; and it is unnecessary for it to specify the surrendering companies or to quantify the amounts to be surrendered by each of them.

The House of Lords so held when allowing an appeal by Gallic Leasing Ltd from a *Court of Appeal decision ([1991] STC 151)* that the Inland Revenue was entitled to reject a *claim for group relief on* the grounds that it was not validly made in time.

LORD OLIVER said that Gallic Leasing was a member of a group of *companies.*

In October 1982 it was assessed to corporation tax for the period ending *March 31* 1982.

On October 31 it appealed the assessment and at the same time, applied to postpone payment on the ground that "*profits will be covered* by group relief".

The inspector of taxes agreed the postponement.

On June 30 1983 Gallic Leasing's accountants sent the inspector for agreement a copy of its accounts to March 31 1982, together with a computation of its income assessable to corporation tax, which was submitted "subject to group relief".

Note 6 to the accounts headed "taxation" stated £167,000 corporation tax at 52 per cent of profits, from which was deducted the same sum described as "group relief".

At the same time the accountants submitted accounts for another group member for the same period.

On July 18 1983 the inspector acknowledged receipt of Gallic Leasing's accounts and said, "I have no enquiries to raise and now await details of group relief."

Nothing further happened for 18 months, save that accounts of other companies in the group were submitted to the inspector for agreement.

On January 18 1985 the *inspector wrote to the* accountants agreeing Gallic's profits at £321,291 and adding, "I *should now like particulars of* any group relief to be claimed".

A *schedule of group relief* was submitted, but on December 4 1986 group relief was formally refused on the ground that no claim was made within the two-year time limit prescribed by *section 264* of the Income and Corporation Taxes Act 1970.

The general commissioners upheld the inspector. They held that the references to group *relief* in the notice of appeal of October 31 1982, in the note on the accounts, and in the accountants' computation of assessable income, did not severally or collectively, constitute a valid claim to group relief.

Mr Justice Vinelott allowed Gallic Leasing's appeal. He held that in order to make a valid claim to group relief all that was required was for the claimant company to make it clear that a claim was being made. He said it was unnecessary to identify the surrendering companies or the amount of relief to be surrendered by each.

The Court of Appeal reversed *his decision. It held* that it was essential to a valid claim for group relief that the surrendering *companies be* identified and the amount of the relief surrendered by each be *quantified.*

Gallic Leasing now appealed.

Section 42 of the Taxes Management *Act 1970* provided a general code to govern the procedure to be employed in making *claims for tax reliefs.* Subsection 42(5) provided that, "A claim shall be in such a form *as the Board may* determine..."

The power conferred by section 42(5) had never been exercised in the 22 odd years that had elapsed since the Act was passed.

Thus, for determination of what constituted a "claim", the court was compelled to rely on such guidance as was offered by the individual provision for relief to which any alleged "claim" related.

Group relief at the material time was regulated by section 258-264 of the Income and Corporation Taxes Act 1970.

Section 258(1) of that Act provided that relief for trading *losses* eligible for relief from corporation tax might be surrendered by a member of a group and, "*on the making of* a claim" by another member of the same group, might be allowed to the claimant by way of relief.

Thus, allowance was permitted "on the making of a claim".

That said nothing about the procedure for *making a claim.*

Section 258 did not indicate any order in which the events leading to allowance (i.e. surrender, claim and consent) were to take place – by suggesting for example that surrender must necessarily precede the claim. And there appeared to be no reason why a claimant company should not make its claim before it knew the extent of any available reliefs, or whether the *company to which* they were available was willing to surrender them.

On that analysis the making of a claim served no other purpose than that of alerting the *inspector to* the fact that reliefs were to be sought by the claimant.

If that was right then the documents relied on by Gallic Leasing sufficiently constituted *a claim for* the purposes of the section.

The inspector received the *accounts with references* to group relief at the same time as he received the accounts of *other companies in the group* in which the relationships were clearly set out. He could not have been *under any* misapprehension as to the existence of a group, or that Gallic *Leasing* was *claiming* anticipated reliefs within the group sufficient to extinguish the tax *liability on its profits.*

The correspondence showed that he understood the position.

As Mr Justice Vinelott observed, the combined effect of the documents sent to the inspector was precisely the same as if the accounts had been accompanied by a *letter* saying "we hereby claim group relief in respect of the company's profits for the accounting period to March 31 1982, being the amount shown in the profit and loss account".

Mr Moses for the Revenue argued that the purpose of the two-year time limit in section 264(1)(c) was to ensure that within the defined period the inspector had all the necessary material to enable him to accept or reject the claim and give effect to it.

Thus, it was argued, there was an irreducible minimum of information which a valid "claim" within section 258(1), *must contain.*

He said that irreducible minimum consisted of (1) identifi*cation of the claimant* company; (2) the amount of profit against which relief was *claimed; (3)* identification of each surrendering company; and (4) the amount and origin of the relief of each surrendering company

An alternative submission was that the very least required was identification of each surrendering company.

With regard to the first submission, that involved ascribing to section 264(1)(c) an assumed purpose which was nowhere expressed in the statute, and then arguing backwards from that assumption to discover the minimum required to fulfil the assumed purpose.

That approach was not acceptable. It involved reading into the statute a very great deal which was simply not there and which could not be gathered from the words of the section or of section 42 of the Taxes Management Act.

It imposed a rigidity on the operation of the section for which there was no warrant in the language used or in the scheme which the section was seeking to effect.

With regard to the second submission, it was argued that since group relief postulated a one-to-one relationship as between claimant and surrendering company, it followed that a "claim" to group relief must at least specify that company within the group by which relief was to be surrendered.

It could be derived from the Act that a claim to have any meaning at all must at least be a claim by an identified claimant to relief against identified or identifiable profits for an identified accounting period.

But there was nothing in the Act which required the composition of the group to be made known to the inspector before or after the claim was made, or before or after the two-year time limit for making the claim.

There really was no half-way house between Mr Moses's irreducible criteria and acceptance of the validity of a claim in the more generalised form of the claim made in the present case.

The appeal was allowed.

Their Lordships agreed.

For Gallic Leasing: David Goldberg QC and Felicity Cullen.

For the Revenue: Alan Moses QC and Launcelot Henderson (Inland Revenue Solicitor).

Rachel Davies
Barrister

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FINANCIAL TIMES SURVEY

THAILAND

Tuesday December 3 1991

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Dreams, nightmares, breathing spaces

The country's economic growth rate is slowing down. February's military coup underlines the problems that Thailand faces in adjusting politically to the economic changes that are taking place, writes Victor Mallet

BANGKOK in late 1991 is the economic dream that the industrialised countries and their financial institutions have long wished on the developing world. It is also, in some respects, a nightmare.

The Thai capital is the heart of a dynamic economy, powered by Asian and western investment, which has successfully graduated from commodity exports and import substitution to become the base for a diversified range of export industries.

Restaurants echo to the sound of businessmen's mobile telephones, and the effigy of Colonel Sanders stands comfortably outside a Kentucky Fried Chicken outlet next to a statue of the Buddha on Ploenchit Road.

But three years of double-digit growth between 1988 and 1990 have overwhelmed the city's transport and communications networks, clogging the streets with expensive traffic jams and polluting the air with poisonous fumes.

Opinions differ on the extent to which growth will be shown to have slowed this year and next. Government officials predict annual growth of about 8 per cent, while some analysts point to sagging turnover in the shops and an end to the property boom and say the figure will be more like 6 per cent. There is widespread agreement, however, that a slowdown is both desirable and inevitable.

Thailand has been sucking in imports, and not all of them are capital goods for its export industries. The growth-fuelled current account deficit, which could amount to 8 per cent of gross domestic product next year, has become one of the main concerns of the technocratic government installed after the military *coup d'etat* in February.

While the state has restricted its foreign borrowing, the private sector has been eagerly securing loans from abroad. A liberalisation of foreign exchange regulations has not been accompanied by a free floating of the Thai baht and the risk of a devaluation is low, but there are fears that Thai borrowers may find foreign banks less willing to lend if political stability is not assured.

The deceleration of the Thai economy should also give the country a breathing space in which to ponder its future. Thailand faces industrial competition from lower-cost producers in Indonesia and southern China, and wants to move up the technological ladder towards the level of north Asian economies such as Taiwan and South Korea.

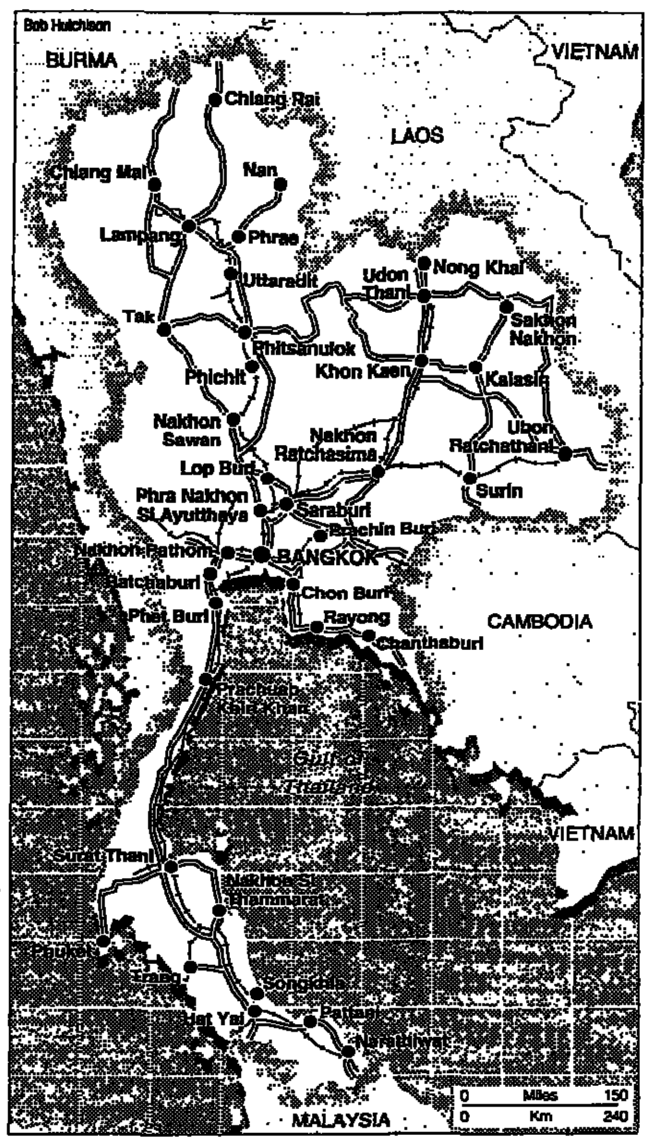
But competition in the upper echelons is equally stiff, and Thailand is burdened by the inadequacy of its infrastructure and a shortage of skills at a time when technology is flowing between nations faster than ever and the progress of developing countries towards prosperity seems to be measured in years rather than decades.

Some free marketeers in Thailand believe that the country's entrepreneurial skills and adaptability will carry it through; they prefer a public sector struggling to catch up with an energetic private sector to an administration which always takes the lead and allows private businesses to become flabby and dependent on the state.

Others believe that Thailand needs a Japanese-style vision of the future, an emphasis on research and an idea of what the country will sell and to whom. "We need to have a picture of where the economy is going 10 years from now," says Mr Chalongphob Sussangkarn of the Thailand Development Research Institute. "In our case it's very much *laissez-faire* – probably too much."

Wherever Thailand is going, several obstacles stand in its way. Transport and communications bottlenecks are being tackled by the construction of elevated highways and a new airport, and by the installation of more telephone lines. Thailand also has enough money to begin dealing with its environmental problems.

The royal family, the government, businesses and ordinary citizens are all preoccupied with air and water pollution and the deforestation that have accompanied economic growth. It was characteristic of the national mood that great efforts were made during the recent festival of Loy Krathong (when Thais let loose floats of flowers and incense downriver to send away their sins) to persuade people to use biodegradable banana leaves instead of polystyrene for their floating creations.



However, education and training take longer than road-building or environmental awareness. Three-quarters of the workforce will have only primary education or less by the year 2000, according to Mr Chalongphob, and the overall proportion would barely change even if 100 per cent of pupils went on to secondary education from next year (55 per cent continue at present).

A rapid ascent for Thailand to the level of Korea or Taiwan is a "pipe dream", Mr Chalongphob says, though he argues that the situation could be improved by "a massive programme of training" for 6m existing workers over the next decade.

The ravages of the Aids disease will serve only to worsen Thailand's skilled labour shortage. It is estimated that by the turn of the century between 2m and 4m Thais will have been infected with the Human Immunodeficiency Virus which causes the disease and more than half a million could have died as a result of Aids.

By no means all the news is bad. Thai investors and traders have seized on the business opportunities arising from the peace agreement in neighbouring Cambodia and the liberalisation of the Vietnamese and Laotian economies. Mr Anand Panyarachun, the prime minister, suggests that Thailand can become a staging post for Japanese and other foreign investors interested in Indochina, although there is always the danger that Thailand will find its neighbours, particularly Vietnam, turning rapidly into economic rivals.

Nor is Thailand always viewed favourably in the region. Having over-exploited many of its own natural resources, the country's military businessmen are eagerly extracting timber from across Thailand's borders (supporting in the process the otherwise isolated military rulers of Burma).

Mr Arsa Sarasin, the foreign minister, visited Cambodia in November and urged Thai businessmen not to take advantage of the Cambodians. His statement was interpreted by his officials as an attempt to avoid the tarnishing of Thailand's image by unscrupulous profiteers.


Thai dancers in Bangkok

The economic slowdown in Thailand may be attributable to the Gulf war, to the state of the world economy and above all to a natural correction after years of extremely rapid domestic growth, but the political uncertainty following the February *coup d'etat* has done nothing to encourage foreign or local investors.

Some foreign observers, noting that there have been 18 coups since the end of the absolute monarchy in 1932, have begun to assume that Thai political manoeuvrings can be dismissed as irrelevant adjuncts to sustained economic progress, but Thais themselves – including the stock market investors – show signs of taking it all *seriously*.

Neither the relatives of Mr Thanong Pho-an, the president of the Labour Congress of Thailand who disappeared mysteriously in June, nor the pro-democracy activists who found severed dogs' heads in their gardens after demonstrations against the military-inspired new constitution last month, are treating politics as a joke. Nor are the television journalists whose reports on the protest movement were censored.

"They say people are too ignorant and too ill-educated to understand democracy," declared Gen Chavalit Yongchaiyudh, leader of the New Aspirations party, at a recent opposition rally in central Bangkok. "That's what they said in 1932. Why are these excuses still being used now, 59 years later?"

Mr Anand, the caretaker prime minister installed by the military, retorts that such critical comments about the military from former military leaders like Gen Chavalit show how much progress has already been made.

A situation in which distaste for the military is balanced by anger at the corrupt practices of politicians is not without ironies – particularly when many of the politicians are soldiers. Businesses want stability and a resolution of the conflict over the constitution – elections are due by April – but they also like the economic policies of Mr Anand and his cabinet colleagues. "We are sorry they have to go in five months' time or even sooner," says one banker wistfully.

Peter Ungphakorn considers whether the country's economic miracle is over

The pessimists and the optimists

ONE OF the two big questions about the Thai economy this year is whether the miracle is over.

In the "pessimistic" blue corner is Dr Chalongphob Sussangkarn, former World Bank economist currently in charge of the independent Thailand Development Research Institute's macroeconomic programme. He believes that the double-digit growth rates of the past four years have come to an end.

Thailand will have difficulty continuing to climb up the growth ladder, he says, because the country is not saving enough to meet its investment needs and because the labour force may not be sufficiently educated for some years to take the country on to a higher quality production rung.

In the "optimistic" red corner are the economists at the Bank of Thailand, who say they already detect signs of a revival and that the problem of savings, at least, should be soluble. Between them are some private sector economists who argue that Thailand will continue to experience a sort of "recession" all next year. After that, they predict, the economy will boom again.

"Recession" in the Thai context is a dip in the growth rate of gross domestic product from the 10 per cent of 1990 to the 8 per cent that government economists predict for this year. It has been brought about by the world economic slowdown and the Gulf crisis that may have frozen the number of tourists visiting Thailand this year at about 5.3m (an estimate depending on how well the sector recovers in the peak season that has just begun).

It has been compounded by February's coup which has left foreigners wondering if Thailand is still a safe place to invest in and has cut net direct investment inflows by an estimated 22.6 per cent.

What has surprised the Bank of Thailand's economists is what appears to be a rapid recovery in the country's export performance in the third quarter of the year, registering growth that translates into an annual rate of 26.8 per cent, despite the barely detectable recoveries in the US and Europe.

Thai exporters with their expertise, adaptability and diversity – and their relatively small size in comparison to world markets – seem able to penetrate new markets with new products. This has eased the concern of the central bank's economists about the trade deficit in goods and services that is currently running at about Bt207bn or 8.6 per cent of GDP.

Last year the deficit peaked at 8.9 per cent of GDP, causing considerable worry. Next year, there could be a further easing to just under 8 per cent, they say.

This year, along with an estimated 21 per cent rise in merchandise exports for the whole year, there has been a slowdown in the rise in imports from last year's 29 per cent to about 18 per cent.

Earnings from tourism are expected to be up 16 per cent, at Bt128.5bn. And despite an estimated 34 per cent drop in the earnings of Thai workers in the Middle East, new demand for Thai labour in Taiwan and elsewhere could still raise total remittances by 4 per cent this year, the Bank of Thailand says.

Dr Chalongphob and his colleagues at the Thailand Development Research Institute have yet to crunch the latest numbers. But he remains unconvinced about some of the Bank of Thailand's optimism.

The key issue, he says, is savings mobilisation. For the seventh national economic and social development plan, which started its five-year period in October, the government assumes that households will increase the proportion of the income they save by one percentage point a year from the present 13 per cent.

If that can be achieved, Dr Chalongphob says, then the current account deficit could improve to 2.5 per cent of GDP in 1996. But if the savings rate rises only by half a percentage point annually, "which is still optimistic", then the deficit will remain at 7-8 per cent of GDP, according to his calculations.

Then there is the question of whether Thailand's labour force can be adequately trained to reach the sophistication needed for a country being chased by new cheap labour producers; and whether Thailand has a clear picture of where the economy should be heading over the next decade, he says.

This time last year, there was a similar debate between Dr Chalongphob and the Bank of Thailand, with the former also in the pessimistic corner. The central bankers were proved right, but only because Dr Chalongphob overestimated the damage to the world economy that was about to be caused by an event of great uncertainty – the Gulf crisis.

The second big question is about economic management. Traditionally, macroeconomic policy has generally remained cautious, with most governments aiming for balanced budgets and avoiding excessive debt. The biggest controversies have been about sectoral issues such as intervention in agricultural trade, and investment projects.

After the February 23 coup, Mr Anand Panyarachun's government of technocratic superstars set itself the task of trying to lay the foundations for better and more accountable screening of large projects. It set about renegotiating contracts signed by its predecessor, and immediately ran into conflict, ironically with the military, who had cited corruption by the previous government as an important reason for the coup.

One of the government's first clashes with the military was over a Bt150bn deal in which CP Telecomm, a member of the Charoen Pokphand group, would have a 25-year concession to install and operate 3m new telephone lines.

The Anand government argued that the deal, set up controversially by the previous regime, was too monopolistic. It succeeded eventually in renegotiating the terms so that CP Telecomm would handle only the 2m lines to be installed in the capital, but not without incurring the displeasure of some generals in the Cabinet.

Several projects for constructing elevated roads and railways in Bangkok were also renegotiated. Each had been a pet project of a different minister in charge of a different agency or state enterprise. The lack of co-ordination meant that at one, intersections would have to tower 44 metres into the sky, if each project's construction plans could be amended.

To avoid such a lack of co-ordination and the possibility of corruption, the Anand government has issued new rules requiring project design and selection to be more transparent, with consultation among the various agencies concerned.

Economic indicators 1980-90

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Economic growth											
GDP %	4.8	6.3	4.1	7.3	7.1	3.5	4.9	9.5	13.2	12.0	10.0
Current account											
% of GDP	-6.4	-7.4	-2.8	-7.3	-5.1	-4.1	-0.6	-0.7	-2.8	-3.7	-8.6
Foreign debt											
$bn	6.7	8.8	10.1	11.2	12.8	14.7	18.0	17.5	17.9	19.4	24.9
% of exports	15.6	16.5	18.6	20.4	20.8	22.7	20.6	17.1	12.9	10.6	8.8

Source: Bank of Thailand

KEY FACTS

Area	514,000 sq km
Population	57.2m
Head of State	King Bhumibol Adulyadej
Currency	Thai Baht
Average Exchange Rate	1990 $1=25.585 Latest $1=25.45[1]

ECONOMY	1990	1991
Total GDP ($bn)	80.17	n/a
Real GDP growth (%)	10.0	8.0 (est)
GDP per capita ($)	1,402	n/a
Components of GDP (%)		
Private consumption	59.2	
Gross fixed investment	35.5	
Stockbuilding	1.2	
Government consumption	9.8	n/a
Exports	36.8	
Imports	43.5	
Consumer price inflation[1]	6.0	5.2
Reserves minus gold[2] ($bn)	13.31	17.03
Narrow money growth[3] (% pa)	11.8	2.7
Broad money growth[3] (% pa)	26.7	19.3
Discount rate[2] (% pa)	12.0	11.0
Govt bond yield[3] (% pa,avg)	10.6	10.8
IFC stock market index[1]	-28.45	-9.44
Current account balance ($bn)	-7.05	n/a
Exports[4] ($bn)	23.05	26.36
Imports[4] ($bn)	29.79	34.12
Trade Balance[4] ($bn)	-6.74	-7.76
Main trading partners in 1990	Exports	Imports
Japan	17.3	31.1
US	23.1	10.4
Singapore	7.1	8.8
West Germany	5.3	4.9

Figures for 1991 are for the periods up to: (1) October; (2) September (3) June (4) First quarter at annual rate.
Sources: IMF, WEFA, Datastream, Economist Intelligence Unit.

Politics: can the military accept civilian control?

The road to power

IT WAS like the 1970s all over again. Tens of thousands gathered at Sanam Luang, the giant square in the centre of Bangkok, last month to protest against the draft constitution that they said would keep the military in political control after the elections promised for next year.

Many of the faces were familiar, seen in similar circumstances after 250,000 marched through Bangkok and overthrew the military dictatorship in October 1973.

It was almost a reunion of old activists. "All we need is Peter, Paul and Mary on stage," joked a political science lecturer, not that the US protest singers had ever performed in Bangkok.

But some things were not the same. Making crowd-rousing speeches on stage were General Chavalit Yongchaiyudh, former army commander, Mr Samak Sundaravej, interior minister in the controversial government appointed after the coup that suppressed yet another student protest in October 1976, and Major-General Chamlong Srimuang, a former member of the Young Turk group of officers which staged a number of coups from 1977 to 1985.

A Canadian journalist, who had just returned to Bangkok after tours of duty in Yugoslavia and Russia, was astonished. "Last year, Chavalit and the students hated each other," he said. Now the students and Gen Chavalit were on the same podium. "Is this normal in Thai politics?"

A week later Mr Anand Panyarachun, the prime minister, who had added his moderate but weighty voice to the criticisms of the draft constitution, commented to the Financial Times: "Ten years ago, you would not see retired military generals debating vigorously against the present draft or pleading for a fuller form of democracy ... They criticise, they express their opinions very forcefully; to me it's a healthy development."

Ten years ago, you would not have seen the military stage a coup and hand over the premiership to someone like Mr Anand. Only six weeks after his appointment on March 2, he told foreign correspondents in Bangkok that the crux of Thailand's democracy question "is whether the military are prepared to accept civilian control."

Nor, 10 years ago, would you have seen the military back down on point after controversial point in their draft constitution because of public protest.

But the roots of the tension between military and civilian politics in Thailand date back further than 10 years, to the 1973-76 interlude when the country experimented with the most open democratic system it has ever had since absolute monarchy ended in 1932. The traditions of a free press that the military have barely tried to curb in 1991 were strengthened in that period. So was the legitimacy of electoral politics, despite many MPs' apparent willingness to tarnish their image by indulging in vote-buying and corruption.

Part of this political development was the rise of the modern business sector and the increasing importance of trade and investment to the Thai economy.

The day after the February 23 coup, Gen Suchinda Kraprayoon, army chief and de facto coup leader, acknowledged the sensitivity of the return to power of the military.

"Soldiers invest in the stock market, too," he said, recognising that the confidence of foreign investors would be shaken and share prices would fall. One of the means of allaying the fears of the business community was to appoint Mr Anand and his cabinet of technocratic super-stars.

The coup leaders became the National Peace-Keeping Council (NPKC) which gave itself the task of re-drawing Thailand's political rules, particularly drafting the constitution. Mr Anand and his ministers took charge of economic management and other day-to-day affairs. It was no caretaker government. A stream of new measures emerged, including clamping down on state-enterprise unions, deregulation, privatisation, tax reform and new rules governing public sector investment projects that would improve assessment and accountability.

The allegations of corruption may have been a pretext for the military but they were important for a large part of public opinion. But the public's willingness to accept the coup did not mean it agreed that the military leaders should take power for themselves. By the autumn, suspicions were growing that Gen Suchinda's supporters were paving the way for him to be prime minister after the election.

A scrutiny committee of the military-appointed legislative assembly proposed amending the constitution to enable a serving government official – such as the army commander – to become prime minister without having to resign and stand for election. It also proposed increasing the powers of the senate, which would be appointed by the coup leaders, so as to allow it to hire and fire the prime minister and approve the budget.

Politicians who had committed themselves to the electoral road to power reacted with fury.

At roughly the same time, the Chat Thai Party of the overthrown premier, General Chatichai, picked a new pro-junta leader and moved towards an alliance with a new party set up specifically to back General Suchinda. Meanwhile, the NPKC gave 13 leading members of the previous government a better chance of escaping conviction for corruption by allowing those found guilty by a special committee to appeal to the courts. Murmurs of a secret deal were heard.

Last month, the opposition was so strong that General Suchinda had to announce categorically that neither he nor his comrades in arms would be part of the government to be set up after the elections. Then followed a series of climb-downs by the legislative assembly on the draft constitution.

But the military remains a force to be reckoned with, and there appears to be little keenness among many politicians to break their old bad habits. Most observers believe that the tensions of the past few years will continue to resurface. Most also believe it will have little effect on important matters like making money.

Peter Ungphakorn

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The prime minister is interviewed by **Victor Mallet and Peter Ungphakorn**

'We can move up the ladder'

MR Anand Panyarachun regards his elevation to the post of prime minister after the coup d'etat in February this year as an accident of history, but in many ways he epitomises the enigmatic style of Thai politics in 1991.

Fifteen years ago, after the country's bloodiest coup, this former ambassador to the US was removed from his position as permanent secretary at the foreign ministry because the military establishment believed he had communist sympathies.

He had, after all, been a key figure in negotiating the removal of US bases from Thailand after the fall of Saigon in 1975 and in accompanying Thai leaders on ground-breaking visits to Beijing and Hanoi.

A year later, disillusioned, he resigned from government service and joined one of the country's largest business groups, Saha Union. He rose to become group chairman, president of the Federation of Thai Industries, director of numerous Thai and international companies including IBM (Thailand) and Sime Darby Berhad of Malaysia, and president of the Association of South-East Asian Nations' Chambers of Commerce and Industry.

A product of Dulwich College in London and Trinity College, Cambridge, the cigar-smoking Mr Anand frequently aired his libertarian political and laissez-faire economic views.

This year, when the military seized power in February, they surprised their critics by appointing Mr Anand as prime minister to steer Thailand away from what they argued were the sordid, corrupt practices of the elected government they had overthrown. Some were surprised, too, that he accepted.

This article comprises edited excerpts from Mr Anand's interview, in English, with the Financial Times.

Q: How do you see the economy developing? With Thailand facing competition from lower-cost producers, can the country move up a rung on the economic ladder and increase high technology exports?

A: At the beginning of the year there was real concern: first about the overheated economy, and then about the inflation rate and the growing deficits in the current account. If you go back to the 1980-90 decade, our economy grew by something like 90 to 100 per cent, and because of the inadequacy of the infrastructure, because of the abnormally high growth that we maintained, inevitably our economy was getting overheated. So when we came into our jobs we addressed those issues rather seriously and the economy is now becoming less overheated.

I think that because of the monetary and fiscal measures that we adopted, we have now begun to see results. Inflation is under control. This year's inflation is expected not to exceed 6 per cent and next year it should be slightly below. The current account deficit is also under control. We are quite confident that it will become stabilised and it will actually start to decrease gradually as of next year.

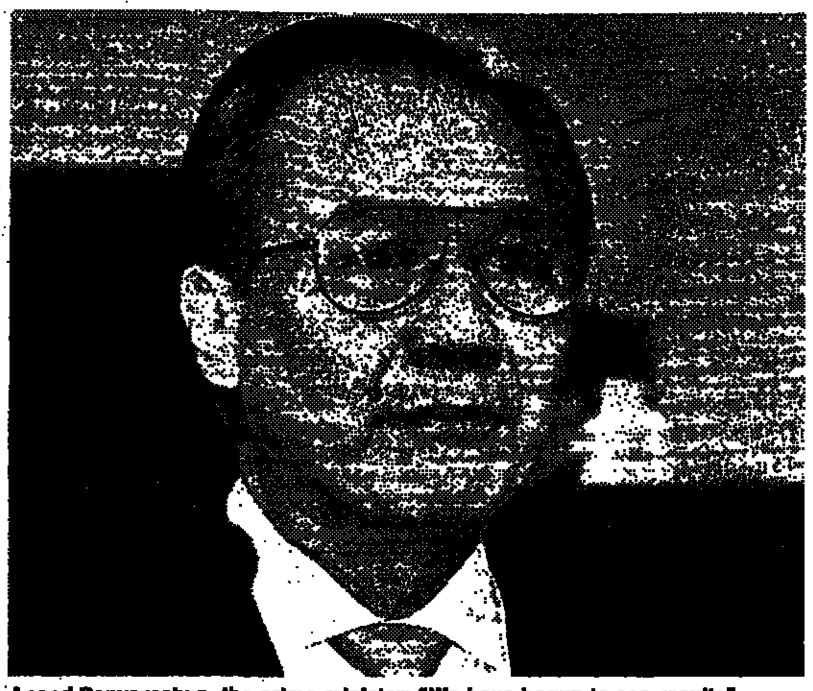
There is a need indeed for the Thai economy to graduate to a higher level. Many people seem to overlook the fact that while the cheap labour aspect was being advertised to attract foreign investments, the one inherent ingredient of our labour force is its productivity and its adaptability as well. In terms of education, in terms of technical knowledge, or in terms of technical expertise perhaps we cannot compete with Korea, or Taiwan or Hong Kong or Singapore as yet, but there are also some other aspects for which the Thai labour force, and Thai management people are famous, one of which is the entrepreneurial skill of our business class.

In addition to that, I think that our business community in the past decade has been shown to be much more resilient than most other groups in other countries. I often refer to the fact that some seven or eight years ago when there was a global recession and most countries registered negative growth, including Singapore, Thailand registered 2.8 per cent growth. There are some other assets too that are inherent in our economy – the diversified range of our products, and also the diversified range of our markets.

Q: What do you think is the next step?

A: Well, it's going to take a few more years before we can start to lick the technical deficiency of our business, our labour force. There aren't enough engineers, there aren't enough scientists, and there aren't enough managers. But that will come about. The questions are being addressed quite seriously and I think that with the return to normalcy in south-east Asia, particularly in Cambodia and Vietnam, the possibility of Bangkok or Thailand becoming a regional centre for production, distribution, services, a regional centre for the financial sector – that possibility is going to be an additional incentive on the part of Thailand and on the part of foreign investors to get together and decide to solve these problems.

When the reconstruction or rehabilitation of the economies of Vietnam, Laos and Cambodia – and one day, Burma – takes shape, Thailand could provide some kind of a staging post, a focal point. Japan can use Thailand as a conduit to transfer their technology, to transfer their expertise, to transfer their factory experience to these countries.



Anand Panyarachun, the prime minister: "We have begun to see results"

Q: The Thai economy is a well-known success story. Is there associated with that a cost – environmental and social – which Thais are beginning to think about more and more?

A: I think it's healthy that the Thai people, the Thai government, have themselves become more conscious of the negative aspects of development, and once we've been able to identify those problems we've got to put our heart and soul into resolving them. But it's not a question of either/or. We are going ahead with all sorts of measures, regulations which would take care of the environmental impact, negative impact.

Q: Are you still vigorously pursuing the idea of an Asean free trade area?

A: Yes, it's going to be adopted at the next summit meeting in Singapore. We hope that by the time we get to Singapore in late January we'll be able to announce two or three sectors which could be implemented right away with a short time frame, perhaps three years, perhaps five years. We are concerned about the need to increase inter-Asean trade, the need to increase inter-Asean investment and the need to attract more foreign investment into the area.

Q: Turning to politics, why did you feel the need to comment on the draft constitution after months of silence?

A: When the draft was put out and I had the chance to read it, I found that there were some provisions in it that were rather contentious. And when I was pressed for personal opinions, I thought that my personal observations might help to defuse a potentially explosive situation.

Q: Is the military coup a brief interlude in a progress towards fuller democracy or a serious setback?.

A: Every now and then there was a hiccup. I do not like hiccups. I had never had any part or any role to play in them. But once you had hiccups, then it's the responsibility of the entire nation to try to get back to normalcy and this is what the government has done, what our government has done. And I think the truth is that the Thai people themselves still do not understand fully what democracy is all about, so it takes time for these people to grasp the fundamentals.

Irrespective of the coups that we had in the past and whatever we may have in the future – and God forbid, I hope there will not be another one – you cannot deny the fact that we have been moving forward, perhaps not at a pace that I would be personally satisfied, but we have moved forward. Ten years ago you would not see retired military generals debating vigorously against the present draft or pleading for a fuller form of democracy. This is quite an important change. We have to muddle our way through.

INVESTMENT

The focus switches to technology

EXISTING industrial investors in Thailand are not exactly pausing for breath, but the inadequacy of the country's infrastructure, a shortage of skilled manpower and the political confusion after the February coup d'etat are all contributing to a substantial fall in new domestic and foreign investment.

Although projects ranging from a hair brush factory to electronics plants continue to receive incentives and to come on stream at a satisfactory rate, latest figures from the Board of Investment (BoI) show dramatic falls in the number and value of new applications for investment privileges. Project applications, for example, fell to 531 in the first 10 months of this year, compared to 876 in the same period of 1990, 1,285 in the whole of 1989 and 2,129 in 1988.

"Investment in 1991 has slowed down," says Mr Staporn Kavitanon, BoI secretary-general. It is no secret, he says, that Bangkok's transport and communications systems are overloaded or that some potential investors were concerned by the coup. "I have to say that we lost for the first two quarters, but it seems that investors are now coming back, or talking," he says.

Part of the investment slowdown is the natural result of saturation. Booms in hotel-building and rubber glove factories, for example, have come to an end. Having successfully managed the transition from import substitution to the promotion of export industries, the BoI is again faced with the need to adjust its role, as Thailand attempts to increase its technology exports and abandon some of its labour-intensive industries to cheaper competitors.

Without forgetting agro-industry, the BoI wants to encourage the manufacture of components for vehicles and electronic items to complement assembly operations. "We will position ourselves to produce the intermediate technology range," says Mr Staporn. It is widely accepted inside and outside the BoI that the organisation needs to move from general encouragement of investment through tax incentives to a more focused use of its powers to achieve particular objectives.

To spread investment and reduce the pressures on Bangkok, for instance, the BoI has divided the country into three zones which enjoy different incentives: Bangkok and its environs, the 10 central provinces around the capital, and the rest of the country (including the Eastern Seaboard Development Programme). "Labour-intensive and low-tech industries – these are things I don't think we can put around Bangkok any longer," says Mr Staporn. "In this central area we are looking for high-tech products. But it's extremely difficult to persuade foreign companies to set up outside."

Last month, the BoI decided to increase incentives – including tax waivers and the easing of foreign shareholding limits – for investments deemed to be in public utilities, transport, conservation and technological development.

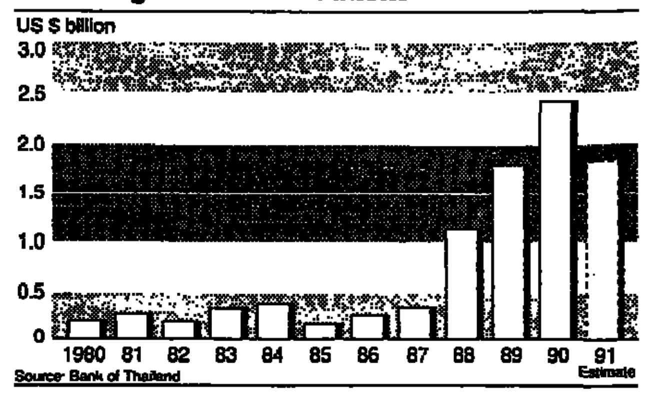
Export companies which enjoy BoI privileges will be allowed to sell a fifth of their output locally – an attempt to end the anomaly whereby some products made in Thailand have to be technically exported and then re-imported. But the BoI, the industry ministry and the Federation of Thai Industries are negotiating over a long list of sensitive items which domestic manufacturers want excluded. "We want our policy to be a little bit lenient for the foreign investors," says Mr Staporn. "A growing market here may be attractive."

The BoI plans to restructure itself within six months so that applications for investment incentives will be handled throughout by one department of specialists covering a particular industrial sector, instead of by a series of departments responsible for the various stages of the investment process.

At the same time Thailand and the BoI are trying to position themselves as a bridge between foreign investors from Japan, Taiwan and elsewhere and the emerging economies of Indochina. "We have the advantage of knowing these countries and having some access," says Mr Staporn. Thai investors have already begun to move into Cambodia, Vietnam and Laos. Siam Commercial Bank, for example, has opened a joint venture operation with the Cambodian central bank. "We believe that Indochina will be an extension of our own domestic economy," says a senior official of Siam Commercial. "It's natural that we should be the springboard to Indochina."

Victor Mallet

Net foreign direct investment



Source: Bank of Thailand

Investment projects*

Year	Numbers	Value ($bn)
1985	78	0.30
1986	145	0.79
1987	168	0.76
1988	223	0.85
1989	278	1.03
1990	414	2.92

*Board of Investment approved projects starting operations

Source: Board of Investment

THE STOCK MARKET

Curbs on a casino

THE RAPID expansion of the Stock Exchange of Thailand since its foundation in 1975 has not lacked excitement. Nor has it been without growing pains.

Even in late 1991, with the SET index dawdling in the bearish 600s (compared with a peak of 1,144 before the Iraqi invasion of Kuwait last year) many participants in this volatile market regard it as something of a casino. The excitement is sometimes palpable as the public crowds into the brokers' galleries between 9am and noon like punters in a betting shop.

Such places, described by one broker as "a cross between William Hill and Wall Street", have obvious dangers and obvious advantages for the market. Brokers complain of wildly inaccurate profit forecasts by companies seeking a listing, and about unofficial bets on the index which cause sudden fluctuations in the price of major index components such as Siam Cement in the final minutes before the day's close.

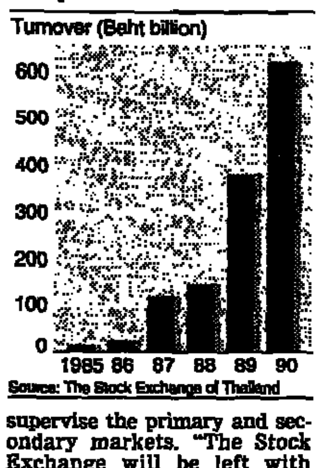
But at least the Thais are enthusiastic about equities and the SET is always in the news. Many Thai investors have concentrated on trading volatile finance and securities stocks which depend partly on the volume of SET trading – a sort of leveraged bet on the market – while foreigners are happy to put their money into safer sectors in an economy still growing at 6 to 8 per cent a year.

As it becomes a larger part of the economy and a leading indicator in its own right, the stock market does what it is meant to do. "It mobilises savings and channels them into investment," says one broker in Bangkok. "It's probably made it easier for the medium-sized business groups to escape from the larger commercial banks."

With 40 brokers now taking part and more than 250 companies quoted on the SET, the Thai authorities are working on several fronts to improve regulation, expand the range of quoted instruments and bring sober domestic institutional investors into play alongside the speculators.

A Securities and Exchange Commission law is being prepared, and it is hoped that it will come into force next year. The SEC or Securities Investment Board – the name has not yet been decided – would supervise the primary and secondary markets. "The Stock Exchange will be left with operation and development," says Dr Maruey Phadoongsidhi, the outgoing SET president. "The regulatory function will be transferred to the new body. Wrongdoing – price manipulation and insider trading – will be taken care of efficiently."

Corporate securities



Source: The Stock Exchange of Thailand

This year the SET introduced a computerised trading system which automatically matches buyers and sellers. In the present bear market only about a quarter of the capacity of 120,000 trades an hour is being used, but capacity will expand to 200,000 by mid-1992 to cope with any upsurge. About 100 licences have been granted for brokers to open offices in the provinces – several have already been established outside Bangkok.

"There is a lot of development going on," says Dr Maruey. After the new SEC law comes into force, the SET wants to see the opening of an over-the-counter market to allow smaller companies to raise funds, followed by a futures and options market. There are also plans to revive the markets in government bonds and convertible debentures, and to end the Mutual Fund Company's monopoly by issuing mutual fund licences, although such funds have not been very popular: "people like to take their own bets," says one broker.

In the meantime, brokers and analysts are anxious to see some improvements in the formulation and enforcement of the SET's disclosure rules.

Share dealings by major shareholders, and contracts between directors and their companies are often hidden from view, while shareholding links between listed companies sometimes make it difficult to identify the true sources of profit and loss. Dr Maruey acknowledges the difficulty, and says efforts are being made to resolve it. "With co-operation from auditors," he says, "we have been working on the problems of related companies."

Foreign investors have been less active in the Bangkok market since the crash which followed Iraq's invasion of Kuwait – the SET says foreign share of volume has fallen to 5-7 per cent from around 17 per cent – but the exchange remains relatively open to foreigners and the index could rise dramatically if political stability seems assured and interest rates fall further as the real economy slows.

"There comes a point when people start to invest again," says one Bangkok broker, "and away we go to the races again."

Victor Mallet

AGRICULTURE

Conflict over resources

THAI AGRICULTURE is becoming increasingly characterised by conflict over resources: land, labour, capital, technology and even water. It is also becoming more diverse, both in its range of products and in the level and sophistication of production.

One of the principal questions being asked is whether the government can adapt to the rapidly-changing needs.

In the 1980s manufacturing overtook agriculture both in terms of export performance and share of gross domestic product. But in many ways agriculture remains the most important sector, employing close to two-thirds of the labour force.

Thailand is the world's largest exporter of rice (6.14m tonnes in 1989, back to more normal levels of about 4m in 1990 and this year), tapioca (about 10m tonnes in 1989, 8m in 1990) and canned tuna – although much of the tuna is itself imported – and the third largest exporter of prawns and rubber. Its fishing fleet ranks among the top 10 in the world.

But farmers are also turning to fruit, vegetables and livestock. Milk production rose 10 per cent in 1990 to 130,278 tonnes. In addition, agricultural products supply a growing agro-industrial sector, which is statistically categorised as manufacturing.

The rural sector is still dominated by small farms, but the gaps are widening. Among the poorest are farmers settling on land officially designated as forest reserve. The contentious and sometimes violent issue of property rights for these farmers is an example of the tensions of adjustment.

At a recent conference in Bangkok, Thai academics tried to explain to some of the world's leading agricultural experts a key difficulty the government faces when dealing with these forest settlers.

"Who owns the land?" a senior European official asked. The Thais replied: "The government thinks it does, but the locals don't. The farmers treat the land as a wilderness belonging to no-one even though it may already have been partially cleared through state-granted logging concessions or illegal logging by concessionaires operating outside their official allocations."

Once claimed, the land is even bought and sold, without official title, but often with official documents such as land-use tax receipts. The state seems to recognise the farmers' possession of the land, but not ownership. The foreign dignitaries were not sure they understood.

The settlers still operate under older traditions of local property rights dating from when unclaimed land was plentiful and the state's authority did not reach remoter areas. Now they are squeezed between, on the one hand, government agencies increasingly determined to keep them out of official reserve land, and, on the other, population growth and real estate speculation fuelled by the recent surge in capital that encourages them to sell and move further into land that was once forest.

Conservation has become a serious issue, although the settlers may have played only a small part in the deforestation that halved Thailand's forests in the last 30 years to an estimated 14m hectares, out of a total land area of 57m hectares.

In some areas the conflict has become violent, and an argument is raging about whether it would be better to give the locals full title to the land so that they are encouraged to look after it and the surrounding forest, or whether this would simply attract more deforestation. Farmers facing eviction point to the big businesses – eucalyptus and other monocrop plantations, resorts and golf courses – that have mysteriously gained possession of reserve land.

In the more prosperous agricultural areas, the problems are different. Industrial development is now clearly attracting labour away from farms all over the country, forcing wages up and causing shortages in many areas.

"Farmers are becoming labour managers," says Dr Mingsan Kaosa-Ard, economics programme director of the independent Thailand Development Research Institute.

The increasing costs together with competition from Vietnam in rice export markets and the price-depressing effects of subsidies in the developed countries are encouraging Thai farmers to mechanise and to diversify into higher value activities. Their adaptability could depend partly on the government's ability to supply information on new technology and non-traditional markets, Dr Mingsan says.

One problem is that farmers lack organisations to speak on their behalf. This year, plans to set up an agricultural council stalled but the cabinet has asked the agriculture ministry to revise them.

Peter Ungphakorn

Peter Ungphakorn on trade relations

Pressure from US

FOR six years now, the dominant issue in Thailand's international trade relations has been conflict with the US. In 1988, US pressure on Thailand to pass a controversial copyright law contributed to the downfall of the government of Gen Prem Tinsulanonda. This year, the issue has been pharmaceutical patents, arousing equally heated debate.

Thai and American diplomats tend to attribute these disputes to a "maturing" relationship between Thailand and the country that buys 20 per cent of its exports, a percentage that has almost doubled in the past decade.

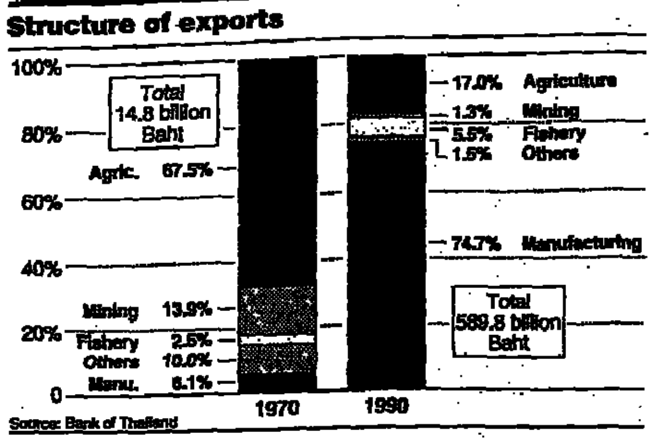
In fact, the diplomatic language smoothes over complex changes in the world trade climate that are having repercussions on Thailand. The main issue of contention now is intellectual property software, audio- and video-tape copyrights; trademarks and pharmaceutical patents. The principal means of exercising American pressure is the threat of retaliation against Thailand under Section 301 of US trade legislation, originally designed to tackle "unfair" trading practice in Japan and the four Asian tigers.

The pressure has forced Thailand to place a greater emphasis on the international rules of the General Agreement on Tariffs and Trade (Gatt). Thailand has been active in the Uruguay Round of multilateral trade negotiations as a member of the Cairns Group of agricultural exporters who seek farm trade liberalisation, and through its alliance with other textile exporters demanding the phase-out of quotas under the Multifibre Arrangements.

Thailand wants a successful conclusion to the Uruguay Round in the hope that a strengthened Gatt system will ward off Section 301.

While the Americans argue that Thailand trades unfairly by allowing product piracy, the Thais accuse the US of double standards. Washington has refused all along to make significant changes to its rice subsidy programmes until agreement is reached on agriculture in the Uruguay Round. At the same time, the US has rejected Thailand's argument that tightening intellectual property protection should wait for new Gatt rules to be agreed.

Structure of exports



Source: Bank of Thailand

This year, there is a difference in Bangkok, however. The government of Mr Anand Panyarachun has been clear in its support for liberalised trade, and has argued, unusually, that Thailand is itself too protectionist for its own good.

In July import duties were slashed on cars and car parts, and this was followed by similar cuts for computers, components and peripherals. When pork prices rose, Mr Amaret Sila-On, the commerce minister, allowed imports from Malaysia, a previously unheard-of measure.

Mr Anand and Mr Amaret also argue that Thailand's policies have to reflect a growing maturity and responsibility in its economic relationship with its trading partners. Tightening up intellectual property rights would play an important part, they say.

The question of pharmaceutical patents in Thailand is not the same as other intellectual property rights issues. Copied drugs are not sold on street-side stalls in tourist haunts alongside counterfeit watches and designer-label clothes or illicitly duplicated videos and music cassettes. They are legally approved by the Thai Food and Drug Administration.

Since 1989, when the US signed the Berne Convention and automatically brought its creations under Thai copyright law, the main problem with copyrights and trademarks has been enforcement, although penalties under the Thai trademark law were increased this year with little fuss.

Pharmaceuticals, on the other hand, have been exempt from patent law in Thailand, as they were until recently in several developed countries, most notably Canada. Health workers who oppose pharmaceutical patents argue that these would lead to exploitation by the multinationals, raising the cost of health care in a poor country. However, the US industry estimates it loses $24m a year from drug copying in Thailand.

The Thai government agrees that drugs will have to be patented and the Americans accept that drugs already on sale legally in Thailand need not be patented. The main differences between Bangkok and Washington are about technical details:

- a proposed grace period between the new law's enactment and its enforcement;
- the criteria the Thai government can use for "compulsory licensing" – to force patent holders to issue licences to competitors as a means of breaking over-pricing or other abuses of monopoly power;
- whether any backdating will be allowed for drugs whose patents have been applied for in other countries but have not been dealt within Thailand at the time the new law is passed.

The government tried to rush a bill through last month, but because of the controversy, the normally acquiescent legislative assembly asked for more time to consider the implications. The Americans, meanwhile, are warning that time is running out.

Exporters of gems, jewellery, garments and other textiles products threatened with retaliation are growing increasingly nervous.

Youthful talent

William Packer reviews 'Germinations 6' in Aachen

The first *Germinations* exhibition was organised in 1981 by the Franco-German Youth Fund, which continues to co-ordinate the project. Conceived as an international biennial of the work of art students, it has grown and changed in the interval – not so much in principle as in practice and detail. On that first occasion, only the French and German schools took part. The British joined in next time round, and then the Dutch came in. And so for *Germinations 6*, which opened last week in the new Ludwig Forum at Aachen (its only venue, until February 2), much of the European Community is represented, with a considerable invited presence from the newly liberated East besides.

With Aachen, the city of Charlemagne, at Europe's crossroads, Maastricht down the road and 1992 just around the corner, the pan-European opportunities that *Germinations* represent are obvious. The list is worth remarking in full: Belgium, Germany reunited, Denmark, Spain, France, Britain, Greece, Ireland, the Netherlands, Poland, Portugal and Hungary. There was a real danger that the British would not take part this year, but nerves held, common sense prevailed and the British Council, the Arts Council, the DES, the Head Trust, the Council for Higher Education and the National Association for Fine Art Education, together came up with the £70,000 our participation required. Thank goodness they did for, in the event, a British absence now, of all times, would have been as conspicuous as it was crass.

Germinations itself, past or present, is not above criticism, however. Much of the organisation, locally at least, was amateurish and *ad hoc* to a fault, though none the less well-meant for that. I well know the story from my own involvement, as chairman of the British selection panel for *Germinations 2* and *4*. But those problems have been addressed, the administration stream-lined and strengthened, the rules tightened. The news that *Germinations* is on the point of changing from Biennial to Annual – the very thought of which would once have been a matter of responsible concern – is now one of confident anticipation.

Difficulties do remain for the British, the most important of our own making. The timing has always been problematic, with students asked at too short notice to propose their work, with degree shows looming and the natural priority for their best pieces. And that situation is simply the creature of uncertainty of funding, which hitherto has tended to come through only at the last moment. Were students to be canvassed in October, early in their final year, and in good time to work specifically to the project – or at least set work aside for submission in the following summer – the exhibition would be inestimably strengthened by stiffer competition for acceptance.

For *Germinations 6*, the bait was made the more attractive by the offer of studios and workshops, to which the 60 chosen exhibitors from the participating countries were invited, to work for several weeks together, producing further work for consideration for the show. Such work, however, was a bonus: the international exchange and communal experience the thing.

But, as with the exhibition itself, any such scheme needs planning, forethought and commitment, from organisers and prospective participants alike. Next year it is to be Grenoble. Sooner or later the British will be asked again to play host in their turn. How could they now say yes or no? How much more sensible, how much easier it would be if the British funding authorities would only do what their French and German counterparts have already done, which is to commit themselves to *Germinations* in principle in the longer term, and in practice to *Germinations 7* for 1992, *now*.

All that said, any *Germinations* is still a student show, this no exception, the work naturally more interesting in its potential than its achievement. Here at Aachen, in the new Ludwig Forum opened last summer to house parts of the Ludwig Collections of modern art, it has not been too kindly served. The full space promised has not been forthcoming, and the collection, with its Baseltiz, Keifer and the rest, creeps too close – even, in the case of Jenny Holzer, inflicting itself directly upon the exhibition – denying it its clear identity.

The unexpected benefit of such overbearing company, however, is that this student work is set the most direct of tests, which it weathers very well. What is more surprising is how uniformly eclectic that work is, a sophisticated reading of current international orthodoxy, familiar enough in British art schools, but not to be expected across the whole of Europe. One looks for regional and national variation and sensibility in vain.

There is no objective reference or study at all, the nearest approach to it the ambiguous, evocative interiors of George Rorris, from Greece. What other figuration there is is either expressionist and symbolic, or conceptual, of which Peter Sansom's slices of Vermeer are elegantly intriguing – though he surely has the wit to paint the reference rather than fall back on photographs. His fellow Britons, Kathryn Bradbury with her emblematic, somewhat heraldic abstraction, and Neil Tait with his ragged, web-like linear veils and screens, stand out among the painters. Of the sculptors, the Hungarian, Tamas Gaal is worth noting for his worked and polished welded objects creeping out across the floor. And the room full of thistledown, with a piece of rock just visible beneath the surface, by a young Pole, Krzysztof Malec, is by far the most beautiful and seductive installation I have seen in a long time.

'Different Languages', 1991, by Gareth Hughes

Adriana Lecouvreur

CONCERTGEBOUW, AMSTERDAM

There was one good reason for seeking out this performance, though by the end of the afternoon it seemed like two or three. For all her popularity in her home country Margaret Price does not often sing in Britain and there is rarity value in catching the soprano in one of her less central roles, such as the glamorous theatrical heroine, Adriana Lecouvreur.

It is fashionable at the moment to deride Cilea's opera as one of the less worthy products of the Italian verismo period. Any musical virtues on the composer's part are said to have been stifled by a weak plot, though in fact the play from which the opera is taken was successful in its own right. The story concerns an actress at the Comédie-Française who dies after breathing the scent of poisoned violets sent by a jealous rival in *amour*.

To this high romantic scenario Cilea added music of a heady French perfume. The love music is sensuous and the lighter passages waft along on an elegant fragrance after the style of Massenet in ballet-music mode. For the singers there is a good supply of Cilea's supple melodies to suit a lyric soprano of Margaret Price's special distinction.

From the outset it has to be said that this voice is starting to show signs of the passing years. The brilliant purity of its high noon is giving way to the mellower warmth of early evening (passages sung at full volume often lose their sheen altogether). But it is still a voice with class. At her best, usually when she is singing well within her means, Miss Price can spin a line of satin beauty unlike any other. The opening of "Poveri fiori" was worth the ticket for the whole performance.

This was a VARA-matinee in the series of concert performances of not quite well-known operas given by the Radio Symphony Orchestra in the Netherlands for broadcast. Henry Lewis was the conductor, getting a good quality of playing out of the orchestra and using the generous acoustics of the hall to make the most of Cilea's plush sonorities.

Gegam Grigorian from Armenia had the right sturdy voice for Maurizio, but kept wanting to remind us from time to time that he can sound every bit the Italian tenor down to the last sob and gulp. Though not another Gobbi (those unforgettable recordings!) Carlos Chausson at least sang the role of Michonnet strongly. Among the smaller parts Georges Gautier's Abbé stood out, fussy, pretentious, a real character, inimitably French.

It was, however, with the arrival of the Princesse de Bouillon, making a stately entrance down the Concertgebouw's long stage staircase, that a frisson of drama entered the performance. Luciana D'Intino is a name that we have been reading about from Italy for some time; now it is good to report that her singing, never forced, always firm and decisive, is a voice to note further afield. She was the second good reason for being there. The opera itself, of course, was the third.

Richard Fairman

The Snow Queen

YOUNG VIC

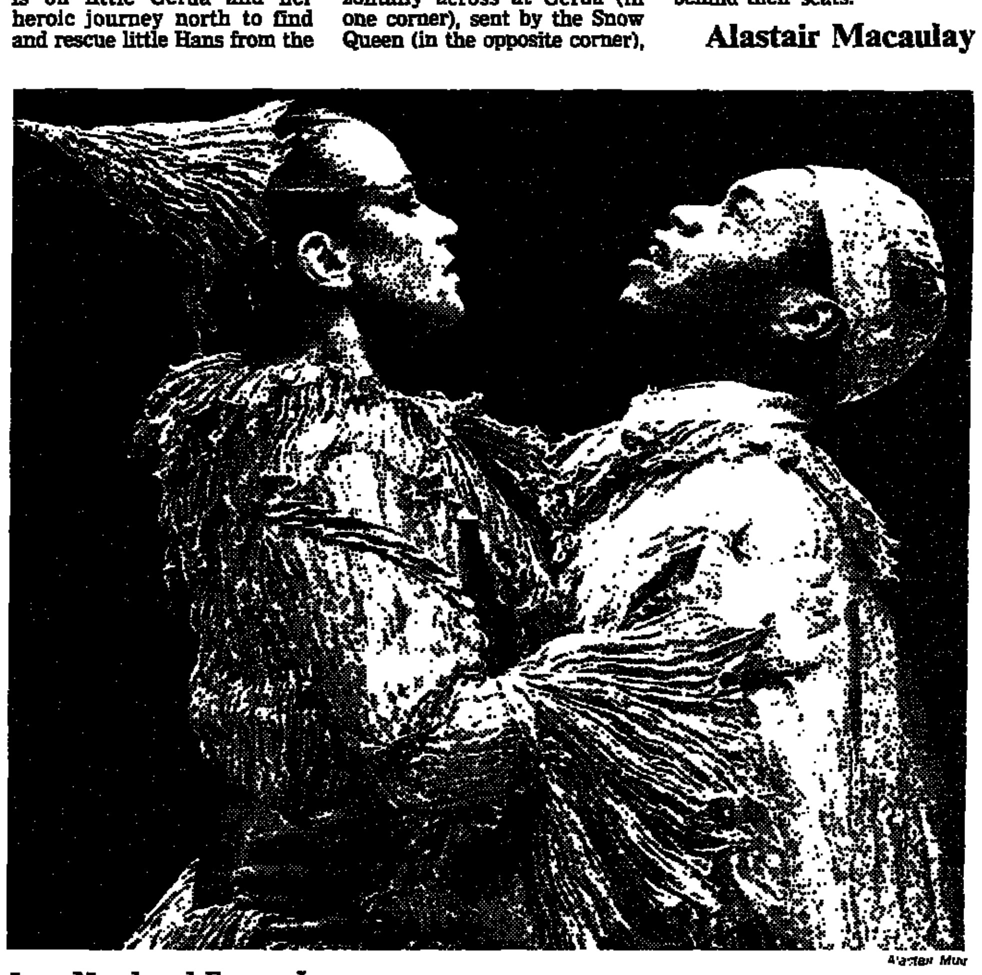
When I was about six, a version of *The Snow Queen* was shown on television. My only memory of it now is that I was so terrified of the title character that I would hide behind chairs whenever she appeared. It took some 25 years before I read Hans Christian Anderson's story and realised just how sublime and affecting it is. Many of the story's beauties are caught in Nick Stafford's adaptation for this Young Vic version; and the production – directed by Karen Stephens and Chris White – is an fine demonstration of the arts of theatre.

Above all, this is simply a great story. (And, by the way, much more of it is retained here than in David Bintley's 1986 three-act ballet version.) The main emphasis, properly, is on little Gerda and her heroic journey north to find and rescue little Hans from the realm of the Snow Queen. The city that Gerda and Hans leave has been updated to the present day, and the story is narrated in Caribbean dialect by Adjoa Andoh, but all that simply refreshes the tale. The production still asks us to believe in makebelieve – the Snow Queen herself, and the talking crows, flowers and butterflies.

The Young Vic audience sits all around the stage area, and yet the scenes of the narrative follow each other with marvellous fluency. The magic mirror shimmers, snow falls, flowers grow, countries change. Especially effective are the two biggest snow scenes. In one, Hans, skating around and around, finds that he is held fast to the Snow Queen's sleigh, which revolves in the centre. In the other, snow-dots hurtle horizontally across at Gerda (in one corner), sent by the Snow Queen (in the opposite corner), while snow-whips crack and cold blue light glows.

My eleven-year-old nephew was even more delighted than I, though we both had a few minor cavils. He felt that the trolls at the beginning were so promising that they should have reappeared. There was a moment when Hans began to spell "ET-" and I expected "-PHONE HOME" when instead he went on with "-ERNITY." I felt also that too much effort was made to show why the Snow Queen had become the way she was. (Her story almost became a plea for understanding for child-molesters.) Isn't it better just to have the Snow Queen a mysterious and elemental force of chill reason? Maybe, however, that would have had my nephew and the rest of the audience hiding behind their seats.

Alastair Macaulay


Alastair Muir

Jane Maud and Fraser James

'Italia Danza' and the Sakharoffs at Reggio Emilia

In the last few years there has been upsurge in Italy of confidence in home-produced dance. Italian dancers have been engaged, and been praised, in many countries round the world: Italian choreography is another matter, perhaps partly because of lack of first-class models.

Most of the groups whose work was aired at this year's Reggio Emilia festival favour dance theatre. As a result there was a plethora of speech, with dance too often acting as the junior partner. Nearly all the performers have been trained at good dance schools and have thus learnt to discipline their bodies. When they produce their own works, however, they frequently lack a sense of timing and a sense of shape.

Michele Abbondanza's *Terramara* for himself and Antonelle Bertoni, which started very promisingly but meandered for too long, is a good example. Pina Bausch's influence is evident in certain repetitive gestures, like filling a basket with oranges and then throwing them on the ground; also in the brutality that is part of the couple's relationship. Bausch also tends to mix various kinds of music, but she can hardly be blamed for the general lack of musicality: the fact that magnetic tape exists does not actually oblige choreographers to use and cut up indiscriminately works by four, five and more composers, in varying genres. I found Virgilio Sieni's choreography for *Pulcinella Variations* (Balletto di Toscana) far superior to his more experimental work *Progetto Ulisse*; keeping to the Stravinsky score obviously had a salutary effect.

It is no coincidence that the souvenir programme contains a full-page photograph of Carolyn Carlson, who has had an enormous influence on Abbondanza and others who belonged to her dance group at the Teatro La Fenice in Venice. After it was disbanded several of them formed a group called Sosta Palmizi, which has appeared with success all over Italy. a Their work shows Carlson's influence in the use of "themes" and sometimes in an ecological slant. Movements tend to be slow and emphatic.

Predictably, feminism also plays a part. Not only were several choreographer-soloists women, but one group, Ellebore, consists of eight women. Their first offering, *Snogmokin*, with a Laurie Anderson accompaniment to Carlos Iturrioz' choreography, quotes portentously from Kafka, while Federica Parretti choreographed and appeared in a work inspired by Jean Genet. Genet, Kafka, Marguerite Duras for Massimo Moricone, Italo Calvino for Laura Corradi, Alberto Savinio for Fabrizio Monteverde, James Joyce for Virgilio Sieni – these choreographers are evidently keen readers, but they are not so expert at distilling their impressions in dance terms.

The only text-inspired work capable of appealing to a wide audience was Micha van Hoecke's exuberant *Nevsky Prospect*, in which a very expressive and mobile actor declaims much of Gogol's three stories through a microphone. He is backed up by the twelve dancers of the suitably named Ballet-Theatre L'Ensemble, who are well-drilled in various dance styles. It is all rather like a specialised cabaret, with chorus line-type episodes in which the women perform high kicks as the men jump energetically.

The Centro Regionale della Danza has two traditional theatres, the Valli and the smaller Ariosto, and the more modernly styled ex-Cavallerizza at its disposal. As the home team, Aterballetto appeared twice, both times at the Valli, opening the festival with Alessandra Ferri and Luigi Bonino as guests, and then bringing it to an end (apart from the closing gala, which brought in Carla Fracci and some opera-house dancers). Aterballetto director Amedeo Amodio chose an excellent programme made up of Balanchine's *Agon*, Tetley's *Sphinx* and his own *Ricercare a nove movimenti*. The young visiting choreographers could learn about construction from all of these.

★

Also in the Emilia-Romagna region, but in the province of Ferrara, the small town of Argenta has been presenting at the long-deconsecrated Capuchin convent an exhaustive exhibition regarding that curious couple Alexandre and Clotilde Sakharoff. Their names are little remembered now, but when they (he Russian, she German-born) went to Paris, they joined the same circle of Russian emigres as Kandinsky and other Russian artists. They followed the work of others in the "free dance" field such as Jooss, were treated with respect by Bakst and liking by Daleroze, as can be verified from letters displayed on the walls. Their acquaintance extended to various members of the Ballet Russe, including Stravinsky (whom they got to know well when they were also in Switzerland during the first world war) and Diaghilev, who, however – perhaps unsurprisingly – turned down Alexandre's proposals for a ballet on the subject or Orpheus.

The Sakharoffs' last years were spent in Rome, where Patrizia Veroli, the exhibition's admirable organiser, had access to the bulk of their sumptuous costumes as well as the hoard of Alexandre's fascinating designs, which demonstrates such a sense of line and colour that one is tempted to feel he might have done well to devote himself exclusively to design rather than choreography. Dr Veroli has also unearthed other material such as theatre programmes, and in the very complete catalogue she reproduces some of Alexandre's writings.

A brief film, made in Rome when the couple were well on in years, is shown at the exhibition. Alexandre appears in *Bourrée Fantasque* and Clotilde in *The Maiden and the Nightingale*. They are both masked, and their slow and deliberate movements are highly stylised, not to say mannered, more like a series of poses.

In her youth Clotilde was outstandingly beautiful, which must have accounted in part for the admiration accorded her in Paris by the prominent French musicians such as Emile Vuillermoz and Roland-Manuel, who even approved her appearances in the title-role of her version of *L'Après-midi d'un faune*.

The spacious last room of the exhibition offers a *coup de theatre* in the way the lovingly restored costumes – executed for Alexandre by Paris couturiers such as Poiret, Gres, Lanvin and Galitzine – are displayed. Alexandre designed all his own costumes, and very magnificent they are, the colours being as striking as the workmanship.

Freda Pitt

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ BERLIN

Deutsche Oper 19.00 *Peter Seiffert* sings the title role in Jean-Louis Martinoty's production of La clemenza di Tito. Tomorrow: Le *nozze di Figaro (West Berlin 3410 249)*
Schauspielhaus 20.00 Deutsche Kammerakademie Neuss in a programme *including string* serenades by Dvorak and Tchaikovsky. Thurs: Mozart concert by the Berlin Symphony Orchestra *(East Berlin 2272 261)*

■ BOLOGNA

Teatro Communale *20.30* Riccardo Chailly conducts Hugo de Ana's production of Werther, with Giuseppe Sabbatini in the title role, also Thurs and Sun. Tomorrow and Fri: Chailly conducts Messiaen's Turangalila Symphony (529999)

■ BRUSSELS

Palais des Beaux Arts 20.00 Song recital by Jessye Norman accompanied by Geoffrey Parsons (507 8200). Tomorrow and Sat: *Gianfranco Masini conducts a* concert performance of Donizetti's La Favorita, with a cast led by Alicia Nafe and William Stone (219 6341). Thurs: Olaf Bär sings Frank Martin's Six Monologues from Jedermann (507 8200)
Monnaie 20.00 Mark Morris Dance Group in The Hard Nut, music by Tchaikovsky. Runs till Dec 21, next performance on Fri (219 6341)
Théâtre National 20.30 Büchner's Leonce and Lena directed by Philippe van Kessel. Daily till Sat (217 0303)

■ CHICAGO

Civic Opera House *19.30 Antonio* Pappano conducts L'elisir d'amore, with a cast including Cecilia Gasdia, Jerry Hadley and Claudio *Desderi. Runs till Dec 21, with next* performance on Sat (332 2244). Thurs, Fri, Sat in Orchestra Hall: Pierre Boulez conducts the Chicago *Symphony Orchestra (435 6666)*

■ LONDON

DANCE
Covent Garden 19.30 Royal Ballet in choreographies by Balanchine, Jonathan Burrows and William *Tuckett, also Fri and Sat.* Tomorrow: David Bintley's Cyrano. Thurs: new production of Mozart's Mitridate (071-240 1066)
Sadler's Wells *19.30 Paul Taylor* Dance Company opens a two-week season (071-278 8916)
MUSIC
Coliseum 19.30 Graeme Jenkins conducts Un ballo in maschera, with Edmund Barham, Janice Cairns and Linda Finnie, also Fri. Thurs: Die Fledermaus. Sat: Le nozze di Figaro (071-836 3161)
Royal Festival Hall 19.30 Yevgeny Svetlanov conducts the Philharmonia. Tomorrow: Tzimon Barto plays Liszt with the RPO under Adam Fischer. Thurs: Haitink conducts Mozart. Sun: Sinopoli conducts Tchaikovsky (071-928 8800)

■ MADRID

Tonight's concert at the Auditorio Nacional de Musica is a guitar recital by Ernesto Bitetti. This week's Spanish National Orchestra programme *(Fri, Sat, Sun) is* devoted to Mozart and is conducted by Aldo Ceccato (337 0100)

■ PARIS

Palais Garnier 19.30 Sigiswald Kuijken conducts La Petite Bande *and the Rheinische Kantorei in* an all-Mozart programme (4017 3535)
Opéra Bastille 19.30 Friedemann *Layer conducts* Robert Wilson's production of Die Zauberflöte, designed by John Conklin. The cast includes Hans Sotin, Hans-Peter Blochwitz and Cynthia Haymon. Also Thurs and Sat (4001 1616)
Salle Gaveau 20.30 Armin Jordan *conducts the* Ensemble Orchestral de Paris in symphonies by Haydn and Mozart, plus Frank Martin's Polyptique, with Regis Pasquier *violin soloist (4561 0630)*

■ ST PETERSBURG

The Berlin Philharmonic Orchestra today begins its first visit to the Soviet Union since its tour with Herbert von Karajan in 1969. The orchestra will give a total of four concerts under its chief conductor, Claudio Abbado. Tonight's concert in the Great Hall of the St Petersburg Conservatoire begins with Beethoven's Egmont overture, followed by Strauss' Don Juan and Brahms' First Symphony. Tomorrow's programme consists of Berg's Three Pieces op 6 and Mahler's First Symphony. The programmes are repeated in Moscow on Friday and Saturday.

■ STRASBOURG

Palais de la Musique 20.30 Theodor *Guschlbauer conducts the* Strasbourg Philharmonic Orchestra in an all-Mozart programme (8837 6777). The Opéra du Rhin's *production of Semiramide can* be seen tomorrow, Fri and Sun in Mulhouse. Next Mon and Tues, the company presents Salieri's Tarare in Strasbourg's Théâtre Municipal (8875 4823). Fri in Théâtre National: William Christie and Christophe Rousset play music for two harpsichords (8835 4452)

■ VIENNA

Staatsoper 19.00 Jan Latham-Koenig conducts Samson et Dalila, with Agnes Baltsa and Vladimir Atlantov, also Sat. *Tomorrow:* Idomeneo. Thurs and Sun: Donald Runnicles conducts Don Giovanni. Fri: Katya Kabanova (51444 2960)
Musikverein *19.30 Herbert Bock* conducts the Vienna Youth Orchestra in music by Clara Schumann and Bruckner. *Tomorrow: Beethoven concert with* the Slovak Philharmonic Orchestra. Thurs and Fri: Nikolaus Harnoncourt conducts Mozart with the COE (505 8190)
Konzerthaus 19.30 Emma Johnson plays Mozart's Clarinet Concerto with the First Women's Chamber Orchestra of Austria, conducted by Camilla Kolchinsky. Tomorrow and Fri: Gabriela Benackova is soprano soloist in a Mozart programme with the Vienna Symphony Orchestra. Thurs: Sandor Vegh conducts the Camerata Academica. Sat: Pinchas Steinberg conducts Prokofiev's The Fiery Angel *(7124 6860)*

■ WASHINGTON

Kennedy Center
This week's programmes are devoted exclusively to Mozart. Tonight's concert at 19.30 in the *Terrace Theater consists of string* quartets and quintets played by the Smithson String Quartet with Lisa Tautenberg. Tomorrow's Terrace Theater piano recital is given by Menahem Pressler, while Barry Tuckwell is soloist in a concert by the Paul Hill Chorale in the Concert Hall. On Thurs, the Raphael Trio play in the Terrace Theater, while in the Concert Hall Robert Shafer conducts the National Symphony Orchestra and Oratorio Society of Washington in the Linz Symphony and Requiem (repeated on Fri afternoon and Sat). In the Terrace Theater on Sat, Misha and Cipa Dichter give a recital for two pianos (416 4600)
National Gallery
A series of Sunday concerts is being given by the National Gallery Orchestra, conducted by George Manos. On Dec 8 at 19.00, the *programme consists of Mozart's* Bastien und Bastienne, with vocal soloists Janice Fiore, Samuel Gordon and Robert Kennedy. *Admission is free (842 6690)*
Source Theater
Lloyd's Prayer: Kevin Kling's play, directed by Pat Murphy Sheehy, *is the humorous tale of a boy* raised by racoons and then used by people, in a satirical fable of salvation. Runs till Dec 22 (462 1073)
Blues Alley Jazz Supperclub
This week's guests are Junior Walker and the All-Stars (Blues/R&B) on Thurs, Fri and Sat. From *Tues to Sun next week: Wynton* Marsalis (337 2338)

■ ZURICH

Opernhaus 19.00 Carlos Kalmar conducts the Ponnelle production of Le nozze di Figaro, with Lucia *Popp and Hermann Prey, also Sun.* Tomorrow: Tosca with Mara Zampieri, Giacomo Aragall and Giorgio Zancanaro. Thurs: Die Zauberflöte with Lucia Popp, Hermann Prey and Francisco Araiza. Fri: Il barbiere di Siviglia with Thomas Hampson as Figaro (262 0909)
Tonhalle 19.30 Paul Sacher conducts the Collegium Musicum Zurich and Basle Madrigalists in Bartok's Music for Percussion, Strings and Celesta, and Purcell's Dido and Aeneas (221 2283). Tomorrow and Fri: Michel Plasson conducts the Tonhalle Orchestra in a programme including Tchaikovsky's Sixth Symphony and Shostakovich's First Piano Concerto, with Nelson Freire. Thurs: Zurich Wind Octet plays chamber music by Mozart (201 1580). Sat: Guher and Suher *Pekinel play music for two pianos* (221 2283)
Schauspielhaus Three short plays by Harold Pinter, including Party *Time, will be given their* German-language première on Thursday, directed by Peter Palitzsch, repeated on Sat and Sun (221 2283)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with *Grant Perry and Colin Chapman*
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

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Tuesday December 3 1991

Time to help the republics

THE DETAILS of the many Soviet crises are now so much the routine news diet that the west may be in danger of failing to grasp their sheer scale. Yet it must be grasped, if only to assess, and as far as possible to mitigate, the effect of these events on the rest of the world.

Sunday's overwhelming vote for independence in Ukraine marks a watershed, confronting the west with choices which can no longer be delayed. This is no Balkan or Baltic micro-state. It is a republic of 52m people, most whom evidently wish the world to treat them as an independent and united nation. Only its proximity to Russia, an intercontinental colossus, can make it look small on the map. By the standards of the rest of Europe, it is a large country.

The Ukrainians made their choice against the background of an economic collapse which now embraces every sphere of activity as well as every region of the former Soviet Union. Last week, what is left of the central Soviet government was effectively declared bankrupt, unable to pay its civil or military servants. Over the weekend, the Russian government intervened to bail it out – and in practice to take it over. Russia itself will have to impose draconian expenditure cuts if it is to stay solvent. Either it will succeed in doing so, and in the process tighten its grip on the remnants of the Union, or it will fail. Either way the desire of Ukraine and the other republics to assert control of their own destinies is hardly surprising.

In all the republics, economic reform is both essential and hideously hard. In most it has yet to be attempted, although in Russia there is at least now a programme and a government apparently willing to carry it out.

Production of everything continues to decline. The harvest was bad, and its distribution is worse. Oil production declines, and the pipelines leak: no-one disputes that on present trends the country will have to import fuel in a few years. Yet agreeing the terms under which foreigners are permitted to exploit the oil appears impossible.

Inter-republican and inter-ethnic tension gathers more, and more bloody, force. The level of killings in the Caucasus, round South Ossetia and Nagorno Karabakh ratchets up each week: a war between Russia and the Chechen Ingush republic was avoided last month only by the withdrawal of the Russian troops sent to quell the armed takeover. But they left behind a precedent of disintegration even within the Russian Federation to which Mr Boris Yeltsin must respond, or watch himself reduced to Gorbachevian impotence.

Dismembered empire

Ukrainian independence dismembers not just the Soviet empire, but a Slavic union of Russia, Ukraine and Belorussia which dates back 300 years. It rends away from Russia the cradle of its national church and state, both of which trace their origins to Kievan Rus, as well as its main granary, holiday playground and warm-water ports, not to mention some 11m ethnic Russians. Potential *casus belli* over resources, borders and minority rights between Russia and Ukraine are legion, and none are such keen enemies as brothers: witness the war between Serbs and Croats.

But the example of Croatia also stands as a warning to western governments of the consequences of trying to prolong the existence of a bankrupt federal state when the inhabitants of one or more of its component parts have clearly expressed their wish to secede. Wisely this time, and no doubt encouraged by the fact that the present Russian leadership is more enlightened than its Serbian counterpart, the western powers seem, under US leadership, to be trying a different tack: offering recognition in the hope that a positive attitude will encourage the new state to listen to their advice.

To impose conditions on recognition may be difficult once independence is an accomplished fact. But recognised or not Ukraine, like the other republics, has little to hope from independence without positive western support. It must realise, and if it does not realise must be clearly told, that its hopes of winning such support depend on its willingness to sign and implement at least four crucial international instruments:

- the nuclear Non-Proliferation Treaty, which entails disposing of the nuclear weapons on its territory, under international supervision and with western help, as well as preventing the export of nuclear weapons, materials, technology and expertise;
- the treaty on Conventional Forces in Europe, which will mean negotiating a reasonable protocol with other republics on sharing out the ceilings and sub-ceilings that treaty imposes on the maintenance of various categories of weapons in former Soviet military districts cutting across republican frontiers;
- the Helsinki Final Act, which prescribes that national frontiers in Europe can be changed only by consent and never by force;
- the Paris Charter of 1990, which involves respect for human rights and democratic freedoms. Some progress was made in Geneva last July, and in Moscow last September, in spelling out the implications of the Charter for the rights of national minorities, but only the most tentative steps have been taken to define procedures enabling states to be held to account for violation of its principles within their own borders. This area urgently requires more detailed work before the Helsinki summit of the Conference on Security and Co-operation in Europe next March; without such procedures there is always the danger that violations of minority rights will lead to border conflicts.

Moral crisis

Behind the crisis of the republics lies a pervasive moral crisis. The organised expression of communism, and that part of it which functioned as a public morality, has gone: what remains is its underpinning – envy – and the networks of power it created, without the formal control the upper party structures had over them.

Above all, there is a loss of faith on the part of those who rule that they can govern. With increasing clarity, the leaders of what is left of the centre and what is developing in the republics are saying, "we do not know how to cope: you cope for us". If western governments accept there is even a possibility that the pressure cooker could explode, this awkward invitation becomes one they can hardly refuse.

Western states are already creeping into a more interventionist posture. The agreement between the Group of Seven industrial countries and the republics on debt repayment saw the representatives of the Seven deliver basic economic lectures and even more basic warnings of punishments if present treaties are not inherited and observed and future problems faced. The G7 has little choice but to continue on this path: to adumbrate mechanisms, perhaps through new treaties (even though the START and CFE treaties have not been ratified) which would permit joint control and dismantling of a large part of the nuclear arsenal, not just in the east, and the provision of expertise and funds to stabilise the economies and the new currencies which will soon emerge. Help is needed especially, and very urgently, to cope with the social consequences of demobilising most of the armed forces and the military-industrial complex.

This is unprecedented, short of the aftermath of a major war: but this is an unprecedented moment in world history, pregnant with tragedy if such a framework is not created. In the short-run efforts must focus on emergency assistance and currency reform. Assistance to any of the new states should be predicated upon their willingness to accept the principles of market-oriented reform and to adopt a workable monetary constitution, including a payments arrangement with the others. Trade must be preserved through the market, now that it cannot be organised by command.

The probability is that such assistance will require the presence of a large number of western experts working closely alongside local policy-makers in each of the states eligible for assistance. Such joint commissions would be responsible for formulating requests and implementing reform programmes, at least over the initial period.

Western involvement must be delicate enough to preserve and foster the structures of sovereignty on the part of nations emerging from the Soviet empire: but it must also take into account the fact that these cannot as yet, nor for some time to come, operate as the individual actors on the world stage they wish to be.

It should not be a question of money, for having spent trillions on protecting itself against potential aggression, the west cannot baulk at the billions needed to protect itself against involuntary explosions. It is rather a matter of finding ways to spend money that will produce the desired – indeed, desperately needed – effect.

Richard Evans and **Andrew Freeman** on the UK water industry

Turbulence ahead

Britain's water industry has had more than its fair share of turbulence in the two years since privatisation. The robust document it published yesterday taking issue with the man charged with regulating water companies, Mr Ian Byatt of the Office of Water Services (Ofwat), suggests that uncertainty is likely to continue.

The subject of yesterday's 200-page report from the water companies – the industry's cost of capital – seems, on the face of it, obscure. But the debate now underway between the companies and the regulator will determine the whole future financial structure of the industry – the balance to be struck between the interests of shareholders and consumers at a time when the water companies are in any case faced with a rising bill to meet increasingly exacting EC environmental standards.

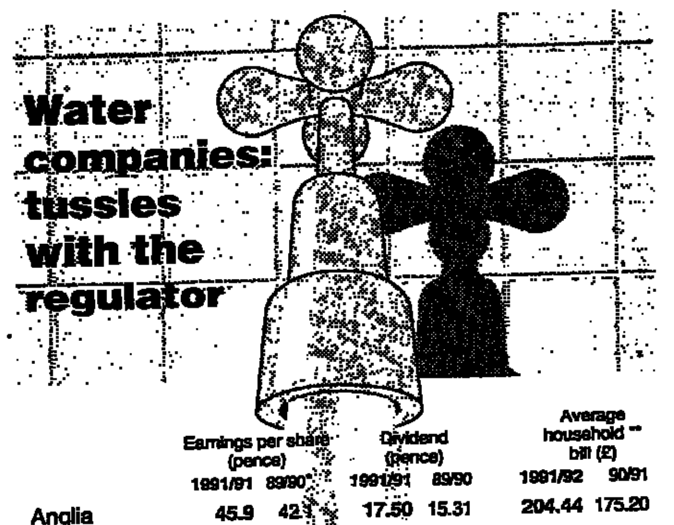
The industry's cost of capital matters because agreement on it between the companies and the regulator will form a central element of the future price regime which they are due to negotiate in 1994. This will decide how much consumers will have to pay for their water in order to fund the £28bn of capital investment the companies plan to improve water quality by the end of the decade.

Water company chairmen and chief executives say that if Ofwat's current assumptions on cost of capital are built into their future financial structures, the industry will have the greatest difficulty in finding the capital it needs. They claim that the water companies could be regulated out of existence by the end of the decade.

The current dispute has been brewing for at least a year and has its origins in the large profits which the water companies have made in the two years since privatisation. On a number of occasions, Mr Byatt, an independent-minded former Treasury economic, has criticised the companies, writing them letters suggesting that they cut prices from the level agreed when they were floated. He has also proposed tougher restrictions on the companies' ability to diversify into other businesses, and suggested ways of increasing competition in what was assumed would always be a monopoly service.

Like other regulators who have been tightening the rules governing privatised utilities such as British Gas and BT, Mr Byatt has emerged as the main guardian of consumers' interests. His task is to make sure that they serve their customers, while also ensuring that they are prosperous enough to carry out their essential investment programmes.

There is also a political dimension, as in the case of other privatised industries. The water companies, for their part, have courted controversy through the fat profits they have made since 1989, through price increases that have exceeded the rate of inflation, and in a few cases through their use of the proceeds to buy stakes in other businesses such as waste management companies, electricity producers and even hotels. To make matters worse, the companies have attracted unfavourable publicity over revelations that their senior executives' salaries have risen nearly threefold



	Earnings per share (pence) 1991/91	89/90*	Dividend (pence) 1991/91	89/90	Average household** bill (£) 1991/92	90/91
Anglia	45.9	42.1	17.50	15.31	204.44	175.20
Northumbria	65.3	78.3	18.60	16.00	142.03	115.32
North West	54.3	44.6	18.00	15.70	142.57	124.32
Severn Trent	64.5	56.4	17.55	14.85	137.79	120.17
Southern	53.4	46.4	17.70	15.00	162.55	140.02
South West	65.8	61.9	20.00	17.40	191.88	165.01
Thames	50.1	43.6	17.50	15.11	130.60	114.32
Welsh Water	82.2	61.7	19.50	16.70	195.21	167.96
Wessex	58.4	50.0	17.70	15.10	176.16	153.70
Yorkshire	52.2	46.5	17.70	15.42	154.49	135.22

* Pro-forma ** Source: Water Services Association

since 1988-89.

Mr Byatt needs to convince a sceptical Labour party, which remains committed to returning the industry to public control should it win next year's general election, that the complex existing regulatory regime works. To do this, he has to demonstrate that his regulatory powers can be used to deliver higher standards at the lowest practical cost.

The pressure on the industry culminated in a paper published by Ofwat last July concerning the water industry's cost of capital. This proposed that the companies curb the rate of growth of their dividends in order to free up funds for capital spending.

The implications are far-reaching. What Mr Byatt regards as a fair rate of return on capital will have a direct impact on the future pricing regime they have to work within, and hence on the profits the companies can make and disburse to shareholders. His proposals threatened to transform the sensitive balance the industry has to strike between its customers and shareholders.

Hence the water companies' alarm. The industry is arguing that Mr Byatt appears set on changing many of the ground rules agreed at the time of privatisation. As one industry leader commented yesterday: "This is a short-term, interventionist approach to regulation. We disagree in large measure with the Ofwat analysis, and unless there are substantial modifications, we are heading for confrontation."

It is a measure of the industry's concern that the Water Services Association representing the 10 privatised water and sewerage companies, and the Water Companies Association, representing the 26 water-only companies – not historically the closest of friends – have joined forces to buy the best independent advice in an attempt to demolish the regulator's views. The industry has spent about £300,000 compiling its response to Ofwat's July consultation paper.

Mr Byatt, always careful to consult widely, has stressed that he wants to avoid uncertainties in the capital markets and that investors' "legitimate expectations" based on the flotation prospectuses should be respected. Ofwat's argument is that the industry has done much better than expected since privatisation and could operate in future with a much higher proportion of debt and a lower rate of dividend growth.

What the July paper proposed was a reduction in the required rate of return on capital investment from an estimated 7 to 8 per cent on flotation to 5 to 6 per cent in real terms; a rise in their debt to change their gearing from the current average of around 35 per cent to 50 per cent or even 75 per cent; and a sharp reduction in dividend growth to zero in real terms after 1995.

In reply, the industry goes back to first principles. When the water companies were privatised, industry leaders argue, the government had to install a system of independent regulation for the local monopolies it was creating. It decided against the US model, where utilities are controlled by the rate of return they earn, and chose instead a model where prices are capped in relation to inflation. This approach is widely supported within the industry as it allows an appropriate balance of risks between customers, investors and company managers.

The companies say their cost of capital is likely to be closer to 9.5 per cent after tax than to the 5-6 per cent proposed.

The wide gap is explained partly by the use of different academic models. Ofwat used the so-called "dividend growth model" which reaches a cost of capital figure by looking at the dividend yield on the companies' investments and then setting a figure for dividend growth in perpetuity.

The companies, backed by several independent experts, argue that the dividend growth model is inflexible and does not give enough weight to the commercial reality that costs of capital change over time. They prefer the capital asset pricing model, which relates expected returns on different types of assets to each other and the market.

Industry leaders say that if Ofwat's assumptions are adopted, the water companies will be much more heavily constrained than other privatised utilities. They say it is simply too soon after they were launched into the private sector to justify far-reaching changes. They do not deny that so far they have had an easier ride than expected because of the level of inflation and competitive construction costs, but they argue that these good times are not guaranteed to continue.

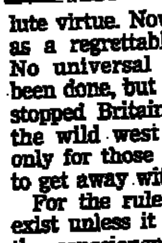
Mr Trevor Newton of Yorkshire Water, chairman of the joint working party that produced yesterday's report, says: "It is simply too early to judge whether things have changed fundamentally. We understand that any regulator is bound to put emphasis on the short term ... but it is being pushed too far, too fast and the customer will be the loser."

There is undoubtedly an element of bluff in all this. Just as Ofwat can reasonably challenge the industry with hard numbers, so the companies will go as far as they dare to safeguard their independence. Their estimate of the cost of capital is not as high as it might have been, but it could be argued that they and their consultants are guessing just as much as Ofwat.

At this stage the companies are seeking to persuade the regulator of their case rather than to confront him. After all, Mr Byatt could be an invaluable ally should Labour win power at the election, and he might well have public and political opinion on his side. But there will be choppy waters if neither side modifies its views substantially. For investors, regulatory uncertainty seems certain to compound political risk.

Joe Rogaly

Semi-detached rule of law



Like chastity, the law is not what it used to be. Most of us were taught at an early age that to be law-abiding is an absolute virtue. Now it is regarded as a regrettable convenience. No universal harm has yet been done, but if the rot is not stopped Britain could become the wild west of Europe, fit only for those who know how to get away with it.

For the rule of law cannot exist unless it is embedded in the consciousness of the people. Sad to say, it is already becoming semi-detached. As formal religion recedes, adherence to basic moral tenets becomes more difficult to maintain. Yet society will disintegrate if people lose the ability to distinguish between what is criminal and what is not. The police cannot enforce all of the laws all of the time. Civilisation cannot exist in the absence of respect for established rules. Capitalism relies upon the law of contract and the protection of property.

Thus it is short-sighted of our fattest capitalists to erode the rule of law. Take the decision by several of the supermarkets to trade on Sundays on the specious ground that to do so *might* be legal if at some time late next year the European Court says it is. This is at least as indefensible as a poor person's refusal to pay poll tax on the ground that it is being abolished. The government's response to the Sunday trade brigands is particularly repugnant: it seems to be saying that it puts big business above any disputed law, especially where contributors to Conservative party funds are involved.

If the rot is not stopped, Britain could become the wild west of Europe, fit only for brigands

There are other straws in the wind. The summer reception of the ex-jailbird Gerald Ronson in elevated sections of polite society immediately after he had served time over the Guinness affair can have done little to increase the average individual's disdain for criminality. The recent series of releases on appeal of people who had previously been wrongly convicted has diminished the status of the police.

Last Friday the court of appeal found that the home secretary, Mr Kenneth Baker, had been in contempt of court. He had unlawfully ignored a mandatory order made by Mr Justice Garland. In consequence a seeker after asylum was unceremoniously bundled back to his country of origin. Mr Baker seems quite relaxed about the appeal court's decision. He is appealing to the House of Lords on the ground that the appeal court's verdict challenges the crown prerogative. That is a pernicious element of the British constitution that allows ministers to do as they please in the name of the crown, without fear of the courts. Thus ministers may make their own rules. Why should such untrammelled power be accepted?

Mr Baker was criticised by another court over another deportation yesterday. The fact that in both cases his officials did the actual work is irrelevant. He is the responsible minister. If a home secretary is not at least to show signs of distress over such verdicts, why should courts be held in high regard?

The general proposition that the rule of law is a necessary component of a liberal economy underpins a collection of essays* just published by the Institute of Economic Affairs, the right-wing think tank.

For example, widespread respect for the law of contract is a vital component of the thesis put forward by Mr Graham Mather, the IEA's general director. He favours the handing over to contracted parties of the functions of the state, a process that has already begun. Its success depends on the ability of injured parties to sue, and be awarded redress, in open court.

Mr Frank Vibert, who edited this collection, argues for overall constitutional reform. He points out that "probably the most powerful consideration in favour of incorporation of the European Convention on Human Rights into British law is that it is a list of rights that has already been agreed and on which no further debate is necessary". He notes that it is not an interventionists' list. Mr Vibert casts doubt on the value of the crown prerogative – that very instrument the use of which is giving Mr Baker so much trouble.

Professor Gerard Radnitzky favours a minimalist state, and puts the case for a constitution as "a system of ... master rules for rule-making in collective decision". He comes across as a right-wing anarchist. "Ideally," says the professor, "the constitution should prohibit direct taxation of income". He is not bowled over by legality. Of markets he writes, "it matters little whether they are legal or illegal; they provide an escape from political coercion". Against that, *"if private property rights are protected, markets will spring up spontaneously"* (my italics).

In short, we can become a national morass of thieves, powerful barons, confidence tricksters and guiltless free-wheelers – or we can restore and reinforce the rule of law.

**Britain's Constitutional Future. IEA, 2 Lord North Street, London SW1P 3LB.*

OBSERVER

Institutional trading

Judging by the gossip in the corridors of power, one of the hottest topics at the Maastricht summit will be where to put the proposed European Monetary Institute.

There is near-consensus that the large banking centres which have already thrown their hats into the ring – Frankfurt, London and Paris – are unlikely to win the day, initially. If they were picked as the site for the European Monetary Institute, it would undermine any future debate about the eventual siting of the more important European Central Bank.

Hence the charm of the more off-beat suggestions. It allows the really awkward decision to be put off to a later date. Lyons was arguing its corner yesterday, following in the footsteps of Barcelona, Lille and even Manchester.

Wim Duisenberg, the president of the Dutch central bank, is confident that squabbling among Germany, Britain and France improves Amsterdam's chances as a compromise candidate. Indeed, he has already earmarked three buildings in the city – including the present headquarters of the newly-merged ABN-Amro Bank – as a possible home.

Of course, there is always an outside chance that if Chancellor Kohl and President Mitterrand use the summit to get down to some serious horse-trading, Frankfurt could still emerge a winner in the first race. Well-informed speculation has it that Mitterrand may offer Kohl the chance of bringing the central bank to the home of the Bundesbank as an inducement to overcoming last minute German reticence over monetary union.

Although the mayor of Frankfurt unfortunately has other, more prosaic ideas, Observer suggests the most suitable siting would be the former headquarters of the old IG Farben. The nine-story, six wing office block in north west Frankfurt has been used as a corps headquarters by the US army for 45 years, but is due to be vacated later this decade.

The block, its corridors lined with marble, has been extensively refurbished by the Americans in recent years. The only drawback is that it was constructed on the site of a lunatic asylum.

In reserve

■ Meanwhile, if Britain's prime minister has a spare moment in Maastricht he might consider a brief visit to the ancient church of Our Beloved Lady, in the city centre. It houses a famous 15th-Century statue of the Virgin Mary, called "Sterre der Zee", or Star of the Sea. It used to be popular with shepherds and is still fervently venerated by Dutch Catholics of a more conservative kind.

There is a procession to the church every Saturday, and the shrine is always bright with candles. And Our Lady of Maastricht has an excellent track-record for miracles ...

Port in a storm

■ Sad to hear that the 148-year-old Gresham Club, City watering hole for "professional gentlemen of known respectability", is dissolving itself. While its membership was never as distinguished as that of the slightly older City of London Club in Old Broad Street, the Gresham served a good lunch and was celebrated for its port.

Ernst & Young partner John Oyler, the club chairman, blames the recession. Unlike some other City clubs, the Gresham never had the benefit of a property windfall and its recent membership of 350 was just not big enough. The City Club, headed by another Ernst

& Young partner, Billy Carbutt, has over 1,000 members and the Gresham needed at least 500 to survive.

Carbutt says that he is saddened by the demise of his partner's club – it closes on December 20 – but says that Gresham members are welcome to join his club's 18-month waiting list. With luck Gresham members may get a little something back to put towards the City Club's annual fees of a shade close to £500.

Home truths

■ Kenyan president Daniel arap Moi's unexpected decision to do a radical U-turn and open his country to multi-party politics has undermined one of the favourite tales currently doing the rounds of the Nairobi embassy circuit.

A visiting minister from Nigeria, a country not noted for business probity, became increasingly uncomfortable as his Kenyan counterpart displayed the benefits of office: farm, shopping centre, petrol station and palatial home. The Nigerian, who had been looking increasingly distressed, could not contain himself. "You Kenyans," he said angrily, "are giving corruption a bad name!"

Royal flutter

■ Norman Lamont beware. As a Tory MP backbench today publishes a private member's bill calling for a national lottery, the Princess of Wales is lending royal support to a campaign to raise money for the arts and sport.

The lottery idea has long been pushed by Tim Renton, the arts minister, to raise money for a massive programme to refurbish the country's museums and theatres by the year 2000. It would raise a total of around £800m a year, providing cash to build new venues as well as restore Britain's crumbling Victorian heritage.

The chancellor opposes the scheme because it might undermine the more modest foundation he set up in his Budget in collaboration with the football pools companies.

But the Princess, a keen patron of the ballet, wants a new venue in London to provide a home for contemporary and classical dance companies. A lottery, she believes, would provide the available finance. So even if, as expected, the private bill fails, look forward to a commitment in the Conservative manifesto.

What a dummy

■ A smart red Volvo pulled up outside Her Majesty's Treasury in Whitehall yesterday, sporting the number plate 1 ECU.

Was it EC president Jacques Delors paying a secret visit, or had Chancellor Norman Lamont hired the limo to publicise his seriousness about European monetary union? A Swedish-built model of a hard Ecu perchance? The occasion had to be deeply symbolic. Unfortunately, it all proved a false alarm. The car belonged to the Ecuadorian embassy.

هكذا من الأصل

Ahead of Maastricht, **Ian Davidson**, left, and **Martin Wolf** debate the desirability of closer EC union

New era for EC family

Despite the melodramatic posturing of the top negotiators in advance of next week's Maastricht summit, it is virtually certain that they will get an agreement. Indeed, so many conciliatory gestures are already being made, that some people think this could be a milk-and-water deal without dramatic consequence.

Do not be deceived. Whatever the last-minute compromises, the Treaty of Maastricht will be the biggest event in the history of western Europe since the foundation of the Coal and Steel Community over 40 years ago. If this is not properly perceived in Britain, then that is partly because of the way the issues have been presented by the UK government.

The European Community owes nothing to Britain; it has come this far only because political leaders on the continent have wanted it to. Successive British governments have consistently tried to prevent or escape the trend towards greater European integration; 40 years on, the government of Mr John Major is still running true to that form.

President Mitterrand tells the French that he wants the European Union to become a federation and the greatest power on earth; Chancellor Helmut Kohl tells the Germans that he must have political union. But Mr Major advertises his instinctive suspicion of the whole affair; he is determined not to be left out, but he will do his best to limit the damage.

Next week's treaty will launch the 12 into several colossally important new areas, starting with economic and monetary union, and foreign, security and defence policy. But almost as significant as the adoption of these specific domains is the fact that almost any policy area can now be discussed as a candidate for European competence.

Take, for example, the question of immigration. Most member states (though not, of course, Britain) accept that the Single European Act, which calls for the free movement of people inside the Community and the dismantling of internal frontiers, means what it says, and that there must be a common set of rules for treating people at the Community's external frontiers.

The German government, which is struggling to cope with large numbers of immigrants from eastern Europe and elsewhere, goes further and argues that the Community should become responsible for Europe's immigration policy. Even if the German proposal is excessive, it cannot be dismissed out of hand. Immigrant pressure on western Europe is vast and rising. If the 11 are to have any real hope of containing immigrant-fatigue, they will need three sets of co-ordinated policies: first for excluding unwanted immigrants, second for socially integrating those who cannot be excluded; third for developing the economies and reforming the societies of the countries exporting immigrants. Only the British government thinks its interests can be satisfied by posting extra policemen at the Channel Tunnel.

The British may crow that they have kept social policy out of the realm of majority voting; but theirs will be a hollow victory, and in any case it is not final. The underlying lesson, first of the single European market, and now of economic and monetary union, is that there are few areas of economic or social policy where there can be a neat dividing line between national interest and Community interest.

From now on almost anything may legitimately be considered of common interest

The anti-federalists think they have won a victory in the negotiations, by ensuring that the Maastricht treaty is split into structurally distinct parts. Some things, such as Emu, will be handled by the Community's ordinary institutions; other things, such as foreign policy and internal security policy, will be handled on an inter-governmental basis.

This institutional distinction seems to imply that on inter-governmental issues member states will be free to decide whether to co-operate with their partners or not. This victory will prove as illusory as previous attempts to circumscribe the Community process. Foreign policy will be an inter-governmental affair. Does that mean Britain can have an independent policy towards Russia? The idea is ridiculous.

In short, the Community is moving from an era of narrowly-defined and self-contained commercial bargains, to an era of potentially unlimited overlapping common interests; from the era of the cafeteria to that of the family. This does not mean that everything will be decided by the family. But from now on almost anything may legitimately be considered of common interest, and that is the real meaning of the treaty.

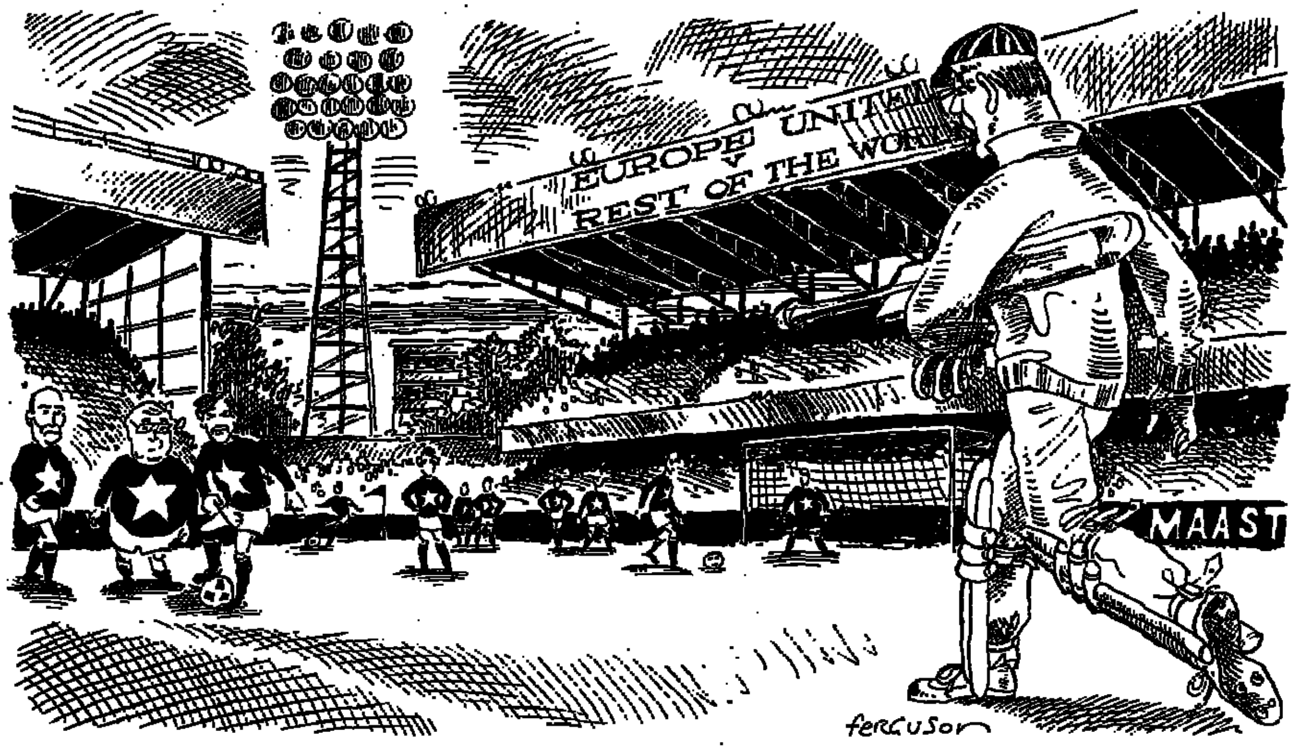
Even the functioning of democracy in EC member states may become a common concern. The general assumption of Euro-federalists is that the transfer of powers to the Community institutions opens up a "democratic deficit", which requires a strengthening of the European Parliament.

But it is not obvious, at this primitive stage of European integration, that an undeveloped European Parliament can bear the full weight of making good the democratic deficit. The member states will continue, for decades or perhaps centuries, to provide the essential political structures for EC action, and it is their national institutions which will have to bear the main stresses of integration. And it is not clear that the political institutions in some member states are up to the job.

Some may ask whether we need to suffer the political stresses implied by next week's treaty at all. The answer to that question is written on the map of Europe. When the French first proposed the creation of a Community in 1950, their primary aim was to bring to an end 100 years of war in western Europe. Today that purpose has been so thoroughly accomplished that another military conflict between France and Germany seems quite unimaginable.

In the meantime, however, the disintegration of the rest of the continent has made the need for political integration in western Europe stronger than ever. The liberated economies to the east will depend crucially on the political and economic stability of an institutionally organised western Europe. And in the face of chaos in what used to be the Soviet Union, western Europe has little option but to develop the means of its own defence.

The difficulty of those tasks needs no underlining. But anyone who believes that they can be satisfactorily handled by a loose congeries of independent European states has not measured the scale of the problem.



Federalism before a fall

Forget, for a moment, the missed trains, the two speeds and other Euro-clichés. Ignore suggestions that the new European treaties will make little difference. Forsake, too, those who suggest one can dine *à la carte*: monetary union, a *soupçon* of economic union, but no political union. Only two opinions on these treaties are to be taken seriously: those of the federalists and those of their irreconcilable opponents. The opposites agree where agreement is inescapable. These treaties matter because they will shift the balance between two visions of the European Community.

The first vision is that of a constitutionally entrenched liberal order. Europeans have good reason to be grateful for the prosperity and harmony brought them by the EC in this benevolent guise. Yet the EC has a dark side: harmonisation and collective management of day-to-day policies. It is not sufficient, people say, for the EC to be a constraint on states; it must *be* a state. The Common Agricultural Policy is a prime example of the EC's actions in the latter guise.

Some argue that monetary union is a constraint on governments, like the late 19thcentury gold standard. So it is. But that is not all it is. Monetary union differs from the gold standard in five salient respects:

- The gold standard was, like the weather, beyond praise or blame. The proposed monetary union, by contrast, will see discretionary control over monetary policy.
- Under the gold standard, the costs of irresponsibility fell on the guilty state, which could be forced off gold. Under a monetary union, risks fall on all members of the union.
- Under the gold standard, a country could choose to go off gold. Under monetary union, return to a domestic currency would amount to secession.
- In the era of the gold standard, governments were not held responsible for the economic fortunes of their nations. But Europe is the home of the world's most welfare-oriented states, with "cohesion", "solidarity" and "social protection" emblazoned upon its banners.
- The era of the gold standard was one of nominal and real wage flexibility. But Europe contains the industrial world's most inflexible labour markets.

As a result of these differences, economic and monetary union means that:

- the fiscal policies of individual member states would come under Community guidance;
- attempts would ultimately be made to reach a collectively-determined EC fiscal stance;
- fiscal transfers among member states would be demanded and, in the end, granted; and
- finally, the impossibility of achieving desired objectives through fiscal policies controlled by member states would lead to direct EC taxation.

In time, Emu would turn the EC into a state. It is not that a minimum government version of Emu is logically inconceivable. But it could only survive, in practice, if income convergence and adjustments to economic change were to occur through the market. Given the nature of the EC's labour market, the need for intrusive power would be greater than in the US. Meanwhile, the EC's *dirigiste* ambitions for the labour market are bound to make already bad labour markets worse.

Those whom the gods wish to destroy, they first make mad. But the progenitors of these ideas are only mad north-north-west. If autonomous adjustment through the market is diminished, the stronger becomes the case for common policies, funded by common resources. No wonder then that a commonality of interest between the Commission, lobbies in rich states that wish to limit the competitiveness of poor ones, and lobbies in poor states that seek resources from rich ones has created a treaty on political union which, like a Christmas tree, has a bauble for everyone.

Against the exercise of new EC responsibilities the draft treaty on political union raises the fragile bulwark of "subsidiarity": that "the Community shall take action . . . only if, and insofar as, these objectives can be better achieved by the Community than by the Member States acting separately". What, one might ask, does "better" mean; and who will decide?

Why should Germans welcome a replacement for the D-Mark that is likely to be worse?

To the often heard argument that the issue is not the powers left with member states, but liberalism, the reply is simple: power to member states is the guarantor of liberalism. Within the single market member states are subject to fierce regulatory competition. It is the resulting pressures for liberalisation that the introduction of "minimum standards" by qualified majority voting is intended to thwart.

In short, the treaties on the table at Maastricht represent a decisive choice. The EC is to become a state. More, it is to be a multinational, multilingual, federal superpower, one with inadequate constitutional safeguards, dominated by largely unaccountable institutions and an elected parliamentary counterweight as remote as could be. If this thought does not give its proponents pause, it is difficult to imagine what might, for the auguries are inauspicious.

Neither the USSR nor the US suggests that this exalted status is conducive to happiness. Small trading powers obliged to compete in world markets run rings around such inward-looking colossi. Even a common currency, the one clear economic benefit of the treaties on offer, is far from an essential ingredient in economic progress. Will the benefits of monetary union outweigh the loss of flexibility attendant upon a single currency?

Protagonists of these treaties also stress the importance of eliminating conflict among the states of Europe. But will these treaties diminish conflicts, or increase them? Why should Germans welcome a replacement for the D-Mark that is likely to be worse? Why should Europeans acquiesce in the deflationary policies of a European super-bank? Why should citizens of smaller states be happy with dictates about their fiscal policies that are most unlikely to apply to the big ones?

Perhaps future historians will consider Maastricht a decisive step towards the emergence of a stable, European-wide power. Yet there is another, darker possibility. This may be when a noble assault on the arbitrary powers of the European nation states was buried within the banal attempt to create a new one. The effort to bind states together may lead, instead, to a huge increase in frictions among them. If so, the event would meet the classical definition of tragedy: *hubris* (arrogance), *ate* (folly); *nemesis* (destruction).

LETTERS

Arrogance that ruined an aviation dream

From Mr D M Callow.

Sir, I enjoyed Nikki Tait's report on the demise of Pan Am ("Decline and fall of an American dream", November 23) as an interesting story of the adventure, growth and decline of a pioneering spirit. However, the real reason for Pan Am's significant decline was not mentioned. After all, other airlines had to cope at various points of the business cycle with stagnating passenger demand and big aircraft replacement costs. Pan Am's failure, in my experience, was due to the arrogant behaviour towards, and almost total lack of regard for, the fare-paying customers. I speak as one who made his first transatlantic trip with Pan Am some 20 years ago. I also had the misfortune to experience, when living in Germany in the 1970s, its abuse of the then monopoly position on some internal flights from West German cities to West Berlin.

Probably like many others who experienced its treatment of passengers I vowed at the time never to fly willingly with Pan Am but only to use it as a last resort if no other mode of transport was available.

Perhaps passenger power has played its part in the failure of the company to survive, since it seemed incapable of giving good service.

D M Callow,
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London W14 0QL

The threat to UK manufacturing if exporters lack government support

From Mr David W Moleshead.

Sir, In addition to the British banks, the foreign banks in the UK also play their part in supporting UK exporters in overseas project business. Therefore, as part of the UK banking community which is in a good position to compare how other countries support their exporters, we should like to endorse many of the comments contained in David Dodwell's article, "Chorus of Complaint", (November 29).

UK exporters need the assistance of the UK government through the Export Credits Guarantee Department to be competitive with their counterparts which in most cases already enjoy a more responsive level of inherent government support in return for lower premiums. Naturally, UK exporters have taken action to establish European links post-1992. This is because it will increase their potential opportunity to procure from other markets where the export credit agencies take a more aggressive stance to support their exporters.

However, such decisions to direct manufacture sourcing away from the UK will be determined, *inter alia*, by the extent and cost of support from ECGD and also by the attitude of overseas buyers who are fully aware already of what is available from other European countries. The ultimate effect will be further erosion of Britain's manufacturing base and the consequent impact on downstream supporting activities.

It is a fallacy to believe that the UK, by unilateral action, can create an even playing field. It cannot impose upon the political will of other industrial countries if they seek to support exporters through medium-term credit support cover at low premium levels. By all means introduce systems and disciplines within ECGD to react to market sensitivities, but implement the effects with a degree of commercial realism from an exporter's viewpoint.

We are committed to ensure that exporters sourcing out of the UK remain competitive in pursuing overseas projects, but export credit support on a realistic basis is a prerequisite to ensure that financing schemes available to buyers can be used as an effective marketing tool. This can be provided only with full and competitive government support.

David W Moleshead,
Foreign Banks and Securities Houses Association,
5 Laurence Pountney Lane,
London EC4

B&Q import replacement in the spirit of the Treaty of Rome?

From Mr James O'Neil.

Sir, The deputy chairman and chief executive of B&Q states (Letters, November 30) that his best advice is that the Treaty of Rome has superseded the Shops Act 1950; the reasoning behind that premise being, of course, that the restrictions on Sunday trading imposed by the Act infringe Article 30 of the Treaty in so far as the free movement of goods within the Community is affected by B&Q's stores being unable to sell certain goods on Sundays. Is that argument merely, as some would claim, a cynical attempt to gain a further 18 months' trading pending a ruling by the European Court, or is it the expression of a genuine desire to ensure observation of the principle of freedom of movement laid down in the treaty? Surely it must be the latter. But how is that to be reconciled with B&Q's "£50m challenge to British industry" (advertisement, FT November 28,) aimed at finding British products to replace the 5,000 product lines valued at that amount which B&Q currently imports?

James O'Neill,
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Gateshead

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Claims that should not be part of the insurance business of Lloyd's

From Mr John Burrows.

Sir, Losses arising from exceptional storm, subsidence, earthquake, marine and aviation disasters in recent years are accepted by Members of Lloyd's because they know that in the long term profitable years should comfortably exceed loss-making ones. This is the basis for acceptance of insurance underwriting risk.

Now these losses are being compounded by liability claims, and provision for asbestosis, asbestos removal and environmental pollution, from the US, which could not have been envisaged at the inception of the insurance contracts.

Much of this loss arises on open years of old accounts which have still not been closed after 10 years, because reinsurance cannot be obtained reasonably for risks that cannot be assessed, making it impossible to determine liability and consequently a premium.

Asbestosis, which apparently is affecting the population as a whole in the US, seems to be ongoing and continuous. This disease, it is claimed in the US, arises from "bodily injury" through the inhalation and ingestion of asbestos fibres.

Asbestos property damage arises from the use of asbestos in buildings, much of which is contained or inert, and therefore cannot be a danger to health until removed and disturbed.

Environmental pollution is caused by deliberate, not fortuitous, dumping which government has decreed must be cleared.

On joining Lloyd's it was understood that such matters were outside the scope of insurance. They do not accord with the universally accepted principles and practice of insurance.

We learned when we started that we could resign from Lloyd's at the end of a year and our liability then ceased, once the accountancy to that time was resolved.

Now, because of open years which continue and grow, we cannot obtain that release and must take up estate protection policies to prevent our heirs inheriting such losses.

We are content to meet properly incurred insurance losses, but not the "social needs" of the US. Many of us are prepared to go and stand trial there to defend this since such claims are surely not part of our underwriting insurance business at Lloyd's, and we cannot meet them.

John Burrows,
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FINANCIAL TIMES
Tuesday December 3 1991

Cicippio release raises prospect of a resolution to the kidnap crisis

Fresh hope for western hostages

By Lara Marlowe in Beirut and Michael Littlejohns in New York

LEBANESE kidnappers yesterday freed Mr Joseph Cicippio, the US hostage, amid reports that four westerners still held in Lebanon may also be released "within days".

Mr Cicippio's release came a day after the liberation of 25 Lebanese held by Israel. It coincided with the payment by the US of $278m in compensation for Iranian weapons impounded at the time of the 1979 Iranian revolution.

In New York, Mr Javier Pérez de Cuéllar, the UN secretary-general, said the two remaining US hostages would also be freed soon. He said Mr Alann Steen would be released "in the next few days", followed by Mr Terry Anderson, the longest-held hostage.

Mr Pérez de Cuéllar told reporters that two German hostages were known to be in good health and he hoped that, by the time he left the UN at the end of the year, all the hostages would be freed. "All, without exception," he added.

Pro-Iranian Shia Moslem sources in Beirut have said for several months that the mediation of Mr Giandomenico Picco, the UN envoy, had resulted in an overall settlement to the hostage crisis.

This was confirmed in writing for the first time by Mr Cicippio's kidnappers in the statement announcing his release. Eight westerners held by pro-Iranian Lebanese groups and 91 Arabs held by Israel have been freed since August. Mr Farouk al-Sharaa, the Syrian foreign minister, said he hoped other western hostages would be freed "within a week".

But, in view of past delays and the complexity of each handover, reports that the Mr Anderson and the two Germans could all be freed this week may prove over-optimistic. Each release requires co-ordination between the Lebanese kidnappers, the UN and the hostage's government, as well as the Iranian and Syrian secret services. German diplomats have been working behind the scenes to obtain the freedom of Mr Heinrich Struebig and Mr Thomas Kemptner, aid workers kidnapped in Sidon in 1989.

The German Foreign Ministry announced that it had received photographs of the two men for the first time. The case of the German hostages has been complicated by the imprisonment in Germany of brothers Abbas and Mohammed Ali Hamadi, both Lebanese Hizbollah members.

In spite of denials from one pro-Iranian group, Islamic Jihad, the hostage-takers have sought assurances that western governments will not track them down after all hostages are freed. Sources close to the kidnappers say they will take more western hostages or assassinate US diplomats if the west seeks revenge.

Mr Cicippio, 61, was dragged from his apartment building on the campus of the American University of Beirut on September 12, 1986, the day before his 56th birthday. For most of his five years of captivity, he was imprisoned with another hostage who was mentally unstable.

Mr Cicippio's Lebanese wife, Elham, continued to work as a secretary at the US embassy in Beirut throughout her husband's captivity.

His kidnappers threatened three times to kill him if their demands were not met. In August 1989, after Israeli troops kidnapped Sheikh Abdul-Karim Obeid, the Revolutionary Justice Organisation repeatedly threatened to "execute" Mr Cicippio if Sheikh Obeid was not released.

Freed American hostage Joseph Cicippio and his wife Elham in good spirits as they leave the US ambassador's residence in Damascus last night

Middle East news, Page 4

Purchasing managers' index for manufacturing shows sharp drop

US industry 'on brink of recession'

By Michael Prowse in Washington

THE US manufacturing sector is on the brink of recession, the National Association of Purchasing Managers said yesterday.

The Purchasing Managers' Index – a closely-watched indicator of US industrial conditions – fell sharply last month to 50.1 per cent, compared with 53.5 per cent in October. A reading below 50 per cent indicates that the manufacturing economy is declining.

The drop was much sharper than anticipated in financial markets, which were expecting a reading of about 52 per cent.

Mr Robert Bretz, chairman of the NAPM's business survey committee, said the figures showed that the US economic recovery became "perceptively weaker in November". Growth in manufacturing – the sector that led the recovery in the spring and early summer – had "virtually stopped".

The index has fallen at an accelerating rate since September, when it reached a high of 55 per cent. The decline follows other weak economic indicators, including last week's plunge in consumer confidence below the trough reached in the deep 1981-82 recession.

The managers' index, however, is still above the 44 per cent level that historically has indicated recession in the economy as a whole.

Components of the index indicated the manufacturing sector would continue to weaken. The production index fell from 60.3 per cent to 52.7 per cent, the lowest reading since May.

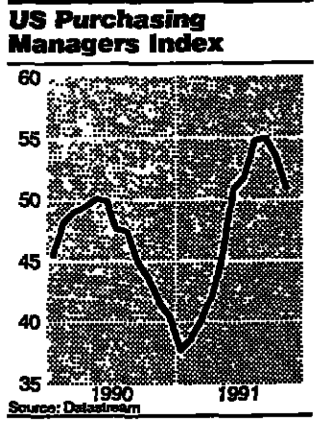
The new orders index fell from 58.9 per cent to 53.4 per cent, the third consecutive monthly decline and the lowest reading since July. The figures are compiled from a monthly survey of more than 300 corporate purchasing officers.

● President George Bush signalled again yesterday that a "growth package" of fiscal incentives to stimulate the economy would be delayed until next month. "We're not going to do anything dumb", he said, acknowledging that conditions were "very, very tough" for many Americans.

Mr Bush was speaking at a meeting with representatives of the depressed real estate industry. Realtors want the restoration of tax subsidies for housing which were eliminated in the 1986 tax reforms.

Concern about the economy has pushed Mr Bush's approval ratings below 50 per cent for the first time in his presidency and prompted a frantic search within the White House for policies that will revive growth before next year's election.

US Purchasing Managers Index



Source: Datastream

Moi set to end one-party rule in Kenya

By Michael Holman and Julian Ozanne in Nairobi

PRESIDENT Daniel arap Moi yesterday bowed to international and domestic pressure and prepared to end one-party rule in Kenya.

A general election is expected early next year, at which the ruling Kanu party will be challenged at the polls for the first time since 1966. It has been in office since independence in 1963.

Mr Paul Muite, a leading opposition figure, said last night that he would launch a party called the National Democratic Alliance. Opposition so far has been led by the Forum for the Restoration of Democracy (Ford), a loose coalition of lawyers, academics, church leaders and dissident politicians.

Kanu has become increasingly corrupt and authoritarian, prompting demands for reform from aid donors.

Mr Moi's conversion to democracy follows his denunciations of supporters of political pluralism as "rats" and "anarchists". The president has softened his stand, however, and over the past week the government has been hinting that radical change is imminent.

Mr Moi in effect ended one-party rule when he presided over a special session of Kanu's governing council in Nairobi yesterday.

No government announcement has so far been made but officials disclosed that the council authorised Kanu MPs to repeal the constitutional clause introduced in 1982 which formally bans official opposition. Even before then, Kenya had been a de facto one-party state.

The council's decision has to be endorsed at a national Kanu conference in Nairobi today. Officials say this will be a formality and parliament is expected to enact the necessary amendment before Christmas.

President Moi is likely to turn today's meeting into a party election rally, according to officials, at which he will argue that Kanu has the resources and party machinery with which to defeat the fledgling opposition.

Mr Muite, a prominent Nairobi lawyer, last night called for an independent electoral commission and international monitoring of the anticipated election.

Yesterday Mr Oginga Odinga, former vice-president and a leading Ford supporter, welcomed the news as "very good and right to the point".

Opposition to Kanu has been boosted by the official inquiry into the murder last year of Mr Robert Ouko, former foreign minister, who was allegedly killed because he was about to expose government corruption.

Two of Mr Moi's close aides, arrested last week, have been named as suspects.

The decision last week by western donors to withhold new aid to Kenya pending economic and political reform also encouraged the government's opponents.

The opposition is poorly organised, however, and will have to cope with ethnic and regional rivalries that dominate Kenyan politics.

Opposition upstaged, Page 4

Ukraine votes for full independence by 9 to 1

Continued from Page 1

Ukraine's independence.

The Soviet prime minister said new borders would have to be established between Russia and Ukraine and trade between the other Soviet republics and Ukraine would move to much higher world prices, denominated in hard currency. A new Ukrainian currency being prepared by the government in Kiev would not be accepted by other republics.

In Washington, Mr Marlin Fitzwater, the White House spokesman, said: "Yesterday in a free and fair vote the people of Ukraine voted for independence. The United States welcomes this expression of democracy, which is a tribute to the spirit of the Ukrainian people."

Mr Fitzwater said the US wanted "to be supportive of the positive change" and would move towards full diplomatic relations.

"It will take some time before we are ready to make final decisions on recognition", he added.

The Polish parliament also recognised the Ukraine.

The European Community called on Ukraine to respect Soviet international commitments on debt and nuclear arms if it secedes from the Soviet Union.

Mr Hans van den Broek, Dutch foreign minister, said the 12 EC states were urging Ukrainian authorities "to do nothing which might call into question the Ukraine's control over nuclear weapons."

Mr Kravchuk reiterated the Ukraine's commitment to destroying all nuclear weapons on its territory.

State banks' tactics leave Soviet Union with double cash crunch

By Leyla Boulton in Moscow

THE Soviet Union faced a double cash crunch yesterday as Russian government officials debated emergency measures to pay salaries while the bank which services the country's foreign debt stopped sales of foreign exchange to Soviet citizens.

The two crises are due respectively to the collapse of a common Soviet budget and to a failure by republics to agree a system of supplying hard currency for the service of debt obligations. They were triggered, however, by a common factor; Gosbank and Vnesheconombank, the state banks responsible respectively for the domestic debt and the foreign debt, are using get-tough tactics to extract funds from republics which now control most sources of revenue.

Mr Yegor Gaidar, Russia's deputy prime minister for economics, said last night his republic would provide Rbs43.5bn to cover essential Soviet budget spending such as army pay. This is less than half the Rbs90.5bn requested by Mr Viktor Gerashchenko, the chairman of the Soviet central bank, who cut off central funding on Friday after the Soviet parliament refused to approve new funds.

In an interview yesterday, Mr Gerashchenko explained that his figure was an upper limit for what was needed and that less would do. But as civil servants, deputies, doctors and teachers wait to receive their salaries this week, no money can be paid out unless the extra funds are approved by the Russian parliament when it meets on Thursday.

Mr Gaidar said that Rbs36bn of new funds would be provided by printing money, but that budgetary expenditures would immediately be cut by 15 per cent. Subsidies to other republics would be cut next.

Separately, Vnesheconombank said it had suspended the issue of currency to state organisations and Soviet citizens wishing to travel abroad to impress upon republics the need for foreign exchange contributions to help it service the Soviet foreign debt.

The suspension was initially imposed until today, but a spokesman suggested it would not be lifted until republican leaders finalised an agreement to divide up Soviet assets and responsibility for servicing the debt. The meeting, scheduled for yesterday, has been postponed until today.

The spokesman said debt relief promised by the Group of Seven, the world's largest industrial democracies, could materialise only when such an agreement was finalised. For this reason, he said the bank was still paying principal on medium and long-term official debts to G7 states, despite their agreement to defer payments until the end of next year.

Meanwhile, Vnesheconombank's exchange points were closed yesterday as tellers said they did not know what the new exchange rates were following Gosbank's decision to drop its fixed exchange rate for tourists in favour of a market rate.

As could be expected, however, the dollar nearly doubled in value at commercial banks which remained open after being allowed to charge market rates. The new level of more than Rbs100 compared with Rbs47 to the dollar corresponds to the rates fetched at Gosbank's own free market currency sales.

Food aid pledge, Page 2

Maxwell banks meet

Continued from page 1

and £1.4bn as the fulcrum of the empire's refinancing.

Analysts yesterday said that they expected MGN, the financially healthier of the two publicly listed companies, to be requoted sooner than MCC.

Mr Giles Orton, representing Mirror pensioners, has started legal proceedings against the trustees of MGN questioning why the fund held large stakes in MCC and its "strange set of investments".

THE LEX COLUMN

Cracks in the Mirror

The renewed suspension of Maxwell Communication and Mirror Group is an undeniably ugly turn of events. The formal reason given – "pending clarification of the financial position" – is far from comforting. In this case, it refers to the private side of the Maxwell empire. But its position was known to be pretty dreadful already. The question is why the Mirror, a supposedly ring-fenced company, has been drawn in as well.

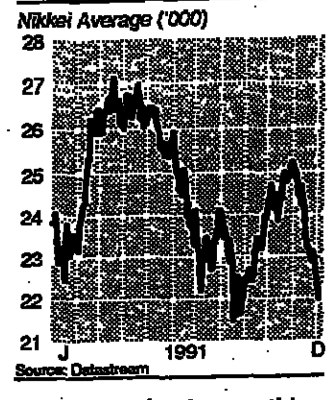
The fact that auditors have been sent in to the Mirror pension fund is plainly unsettling. The Mirror was floated with a large pension surplus, which is obviously material to the valuation of the shares. This, in turn, reflects back on the plight of the private companies, whose debt is now put at over £1bn. Even if the entire Maxwell holding in the Mirror is pledged as collateral against that debt, as seems likely, the holding is worth only £255m at yesterday's suspension price. Security on the rest of the debt is either weaker, consisting for example of MCC shares, or maybe even non-existent.

Throughout all this, it is less clear than ever how far the banks are sticking together. Assuming the Mirror's value is still approximately intact, it could be tempting for those banks who hold the shares as security to leave the rest to their own devices. It would be hard not to sympathise. It is one thing for the banks to abide by the so-called London Rules if they are bound together in a single unified loan. But there seems little reason for those banks who prudently ensured their loans were covered to bail out any who were willing to lend to Mr Robert Maxwell on no security at all.

FT-SE Index: 2,414.9 (-5.3)

Japan

Nikkei Average ('000)



Source: Datastream

Markets

Once again, the UK was out of step with the rest of Europe yesterday. London registered only a small net fall, while the Continent saw some steep declines. It is understandable that the idea of Ukrainian secession should inspire greater nervousness in Frankfurt than in London. It is less clear why the UK should remain isolated from some of the other factors at work.

Having worried unnecessarily about higher German interest rates two weeks ago, the UK may have been lulled into false complacency. Weekend German press reports that a majority of the Bundesbank council favours higher rates have a ring of truth, since the unions are showing anything but moderation in the 1992 wage round. The Bundesbank may still have some reservations about raising rates just ahead of the Maastricht summit. But even if it does hold back this week, it looks increasingly likely that it will have to act eventually to dampen wage demand.

Then there is Japan, where the Nikkei ended yesterday below 22,000 for the first time since August. Despite last month's half-point cut in interest rates, Tokyo is once again close to the point where bank capital adequacy is threatened. Perhaps London insouciance on this score reflects a belief that falling bond yields will encourage bargain hunters to lift Tokyo out of the danger zone. That looks optimistic after the disappointing interim corporate results season: all the more so, given the prospect of large-scale unwinding of futures arbitrage positions as the quarterly settlement date looms in mid-month.

Tarmac/Steetley

Yesterday's joint venture between Tarmac and Steetley in building products is just the start. UK brick sales are running 25 per cent below industry capacity, and even irrepressible optimists do not expect demand to improve. Tarmac and Steetley may be under more financial pressure than most: but the likes of Redland and Ibstock Johnsen will need to consider their response.

Steetley shareholders, meanwhile, will be wondering if they are better off. If all goes according to plan, there should be £10m of savings to be divided up by 1993, and a better geographical spread. But the deal does not address Steetley's weakness in the south east and seems to involve good assets being diluted by those of inferior quality. The improvement in gearing is a somewhat dubious achievement, brought about by an asset revaluation as well as the disappearance of debt into an off-balance sheet structure. The new scope for hiding restructuring costs must be treated with suspicion. It is unfair to describe the venture as a poison pill, but it makes a takeover that much less likely.

Conversely, Tarmac has managed to improve the quality of its bricks business at relatively little balance sheet cost. The advantages of the deal, though, will be more than offset in the likely event that further land bank write-offs are necessary. The company's market capitalisation may be stuck below £1bn for a while.

Water companies

Judging by yesterday's three-volume treatise from the water companies, they may have fallen into a trap. The industry has compiled a persuasive response to Ofwat's original cost of capital document. But it may have thereby ensured that the debate will drag on until the scheduled price review in 1994. On the surface, it suits the companies to spin things out, if only because that route avoids an adverse ruling by Ofwat; in addition, the passage of time should allow the market to put a more educated price on the companies' capital raising efforts. But a protracted debate can scarcely be good for water shares. If the cost of capital remains a matter of dispute between the industry and the regulator, so must the sector's appropriate rate of dividend growth.

The industry's position is that the 5-6 per cent cost of capital outlined by Ofwat would destroy its private sector viability. Ofwat may have been bluffing, but if the companies have been as honest in compiling their study as they would have us believe, their numbers leave little room for error. It follows that they can only compromise at the expense of their commercial needs. Their claimed cost of capital of 9.5 per cent is unlikely to be accepted by Ofwat on the obvious grounds that customers will demand tighter controls as water prices continue to rise. That not only augurs badly for any future negotiations, but suggests that whatever the outcome, the companies' shares will be held back relative to the market.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	15	59	Berlin	C	1	34	Caracas	C	28	82	Faro	S	17	63	Islamabad	F	18	64
Algiers	F	15	59	Biarritz	C	10	50	Casablanca	F	18	64	Florence	S	10	50	Istanbul	S	9	48
Amsterdam	Dr	2	36	Bombay	S	31	88	Chicago	C	-3	27	Frankfurt	C	1	34	Jakarta	R	30	86
Athens	C	10	50	Bordeaux	S	6	43	Cologne	C	-1	30	Geneva	C	2	36	Jersey	F	9	48
Bahrain	C	22	72	Boulogne	C	7	45	Copenhagen	Dr	3	37	Gibraltar	R	14	57	Johannesburg	F	27	81
Bangkok	C	34	93	Brussels	C	2	36	Corfu	S	14	57	Glasgow	C	7	45	Lima	F	23	73
Barcelona	F	14	57	Budapest	S	7	45	Dallas	R	0	32	Helsinki	S	3	37	Lisbon	C	10	50
Beirut	F	15	59	Buenos Aires	F	30	86	Dublin	C	9	48	Hong Kong	F	20	68	London	C	9	48
Belfast	C	8	46	Cairo	C	19	66	Dubrovnik	-	-	-	Innsbruck	S	4	39	Los Angeles	S	8	46
Belgrade	S	8	46	Cape Town	S	21	70	Edinburgh	F	7	45	Inverness	S	9	48	Luxembourg	C	0	32

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	19	66	Milan	C	6	43	Nicosia	S	18	64	Salzburg	C	2	36	Tenerife	C	19	66
Madrid	C	5	41	Montreal	F	-2	28	Oporto	S	15	59	San Francisco	S	6	43	Tokyo	F	16	61
Majorca	F	12	54	Moscow	Dr	1	34	Oslo	Fg	-1	30	Seoul	C	8	46	Toronto	C	-2	28
Malaga	S	15	59	Munich	C	-1	30	Paris	C	1	34	Singapore	F	26	79	Tunis	C	17	63
Malta	F	17	63	Nairobi	F	25	77	Peking	S	6	43	Stockholm	S	2	36	Valencia	Dr	11	52
Manchester	C	7	45	Naples	S	15	59	Prague	S	4	39	Strasbourg	C	2	36	Venice	S	8	46
Manila	C	30	86	Nassau	F	29	84	Reykjavik	C	2	36	Sydney	S	20	68	Vienna	S	6	43
Melbourne	S	22	72	New Delhi	S	21	70	Rhodes	S	15	59	Taipei	C	23	73	Warsaw	C	0	32
Mexico City	C	20	68	New York	C	11	52	Rio de Janeiro	R	31	87	Tangier	C	13	55	Washington	C	13	55
Miami	S	25	77	Nice	S	13	55	Rome	S	13	55	Tel Aviv	T	14	57	Zurich	C	1	34

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

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FINANCIAL TIMES
COMPANIES & MARKETS

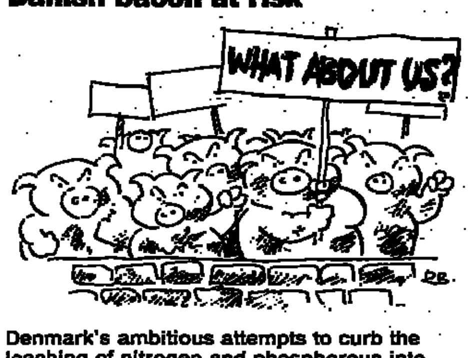
Tuesday December 3 1991

INSIDE

UK brick groups link domestic operations

Tarmac and Steetley, two of the UK's largest building materials groups, plan to merge their domestic brick, clay roof tile and concrete products operations to fight the recession in the British construction industry. Page 24; Lex, Page 22

Danish bacon at risk



Denmark's ambitious attempts to curb the leaching of nitrogen and phosphorous into domestic and coastal waters have run into trouble. Some observers see the new environmental restrictions – which limit the spreading of liquid manure to certain times of the year – as being politically inspired and fundamentally unattainable. Page 33

MAN in the fast lane

M·A·N As most of its large rivals watch profits plunge and losses soar, MAN Nutzfahrzeuge, the commercial vehicles subsidiary of MAN, the German engineering group, is bypassing the recession in the western European truck industry. Turnover for the last year jumped 33 per cent and new orders booked in the domestic market have surged 70 per cent. Page 24

Dobson Park in shake-up

Dobson Park Industries, the UK mining equipment, industrial electronics and toys group, yesterday announced a restructuring to cope with falling demand from its principal customer, British Coal. The group took an extraordinary charge of £4.64m ($8.24m) to cover the restructuring. Page 31

M&G profits rise 10% on increased funds

M&G Group, the fund management concern, yesterday announced a 10 per cent rise to £39.2m ($69.6m) in pre-tax profits for the year to September 30, in spite of "disappointing" sales of its key unit trust and life assurance products. Total funds under management rose from £6.72bn to £8.85bn, roughly reflecting the rise in UK equities prices, contributing to a rise in fee income. Page 30

Banesto to pay damages

The Central Bank of Chile and Banesto, the Spanish banking group, have reached an out-of-court settlement over alleged irregularities in a debt-equity swap worth $48.6m. Banesto will pay $11.7m in damages and a $300,000 fine. Page 26

Nova drops restructuring plan

Nova Corporation, the Canadian chemicals and pipeline group, has abandoned plans to split into two separate companies. Mr Ted Newall, chief executive, said that the decision was based on the depressed state of the petrochemicals market, which made the setting up of an independent chemicals entity impractical. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)							
Falls				**Falls**			
Asko	651	–	29	Axa	807	–	27
Beiersdorf	790	–	34	Bancaire Cie	423.5	–	20
Colonia Konz	910	–	31	Chargeurs	881	–	31
Gerresheimer	390	–	15	Eurocom	549	–	26
Karstadt	604	–	26	Havas	429	–	20
Lahmeyer	685	–	65				
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Amgen	59¾	+	3¾	Toyo Sanso	1600	+	120
Glaxo	29	+	1¾	**Falls**			
Teradata	28⅞	+	5⅛	Hokuetsu Paper	753	–	91
Unisys	5⅛	+	1⅛	Kawasho	550	–	55
Falls				New Japan Sec	520	–	45
Digital Eq	61¼	–	1¾	Sanwa Shutter	1120	–	110
McDonnell Doug.	69⅞	–	⅞	Titan Kogyo	1040	–	90
PARIS (FFr)							
Rises							
Immobanque	764	+	24				
LONDON (Pence)							
Rises				Control Techs	197	–	12
BrAerospace	330	+	9	Costain	50	–	4
Brit Borneo	201	+	6	Gieves	58	–	10
Brown & Tawse	68	+	3	Haemocell	175	–	8
Drummond	45	+	3	Hickson Intl	170	–	7
Glaxo	779	+	17	Higgs & Hill	93	–	8
Harrison Inds	98	+	39	Lovell (YJ)	24	–	8
Lucas	117	+	5	Mid Scot Res	46	–	5
Proteus	205	+	10	Mowlem (J)	193	–	11
Ultramar	320	+	9	P & O Defd	421	–	18
Wellman	33½	+	2½	Reckitt Colman	624	–	17
Falls							

NCR agrees to acquire Teradata

By Louise Kehoe in San Francisco

NCR, the computermaking subsidiary of AT&T, the US telecom group, has agreed to acquire Teradata, a California computer company, for $520m in stock.

The acquisition resolves uncertainties about Teradata's joint development partnership with NCR after AT&T's acquisition of NCR earlier this year.

In New York, Teradata's share price rose $5⅛ on news of the acquisition plans to close at $28⅞.

Each Teradata share is to be exchanged for $30.25 of AT&T common stock based on the average closing price over a 20-day period.

Teradata manufactures and markets large-scale relational database management systems. The company, which has headquarters in El Segundo, California, reported revenues of $258m for the year ending last June and has about 1,600 employees worldwide including a factory in Dublin, Ireland.

"The merger will give Teradata access to necessary financial, marketing, distribution, and sales resources as well as access to general purpose computing and communications technologies," said Mr Kenneth Simonds, Teradata chairman and chief executive.

The acquisition remains subject to review by the Securities and Exchange Commission and the approval of Teradata shareholders. The process is expected to take two to three months.

In March 1990, NCR acquired a 9 per cent equity interest in Teradata and the companies agreed to develop jointly a new generation of parallel-processing computers based on Teradata's technology. Parallel processing involves splitting large computing tasks among dozens, or even hundreds, of microprocessors.

"This merger is a logical step due to the success of our existing joint development organisation," said Mr Gilbert Williamson, NCR chairman and chief executive.

Teradata's customers include several large retailers as well as insurance companies. In the UK, British Telecom is one of Teradata's largest customers.

Through its joint venture with Teradata, NCR plans to broaden the use of parallel processing into high performance general purpose computing, competing with traditional mainframe computers.

NCR said it is "too early to speculate" on staff reductions in connection with the Teradata acquisition. It intends to form a transition team made up of NCR and Teradata employees to "find a way to best take advantage of the talent and resources of the combined company".

Conti sees return to black as talks end

By Andrew Fisher in Hanover

CONTINENTAL, the German tyre company, yesterday reacted to the collapse of its co-operation talks with Pirelli of Italy by saying it would strengthen its internal operations and seek strategic alliances elsewhere.

It also said 1992 would bring a clear return to the black after this year's expected losses, which will stem mainly from plant closure costs and provisions for restructuring.

Conti said it was neither disappointed nor triumphant over the surprise end to the talks amid the severe financial problems of Pirelli. However, Mr Hubertus von Grünberg, chief executive of Conti, said the German company was "rather concerned" that so much of management's time and energy had been taken up by the discussions.

He said Conti had been ready to co-operate with Pirelli. "We believed in the possibility [of co-operation] – we had a concept." He declined to say what might have been agreed, as the content of the talks remained confidential. Nor would he give details of the companies with which Conti might form other alliances.

Mr von Grünberg, who has been in the top job since July, stressed that such strategic links were not Conti's only priority. Conti's main task was to make further technological, cost-cutting and earnings progress through its own efforts and investment.

Turning around General Tire, its heavily loss-making US subsidiary, was a key challenge. "For us, this is a top priority," he said.

Mr Ingolf Knaup, Conti's finance director, said GT had even made a profit in September, though it would return a loss of more than $100m (DM160m) for the full year, double that of 1990. "In 1993, we have a fair chance of break-even at General Tire," he said.

Overall, Conti was performing better than expected, he added. A jump in sales of winter tyres had improved operating profits. Even after the cost of closing its Barrie, Ontario, plant – DM100m before tax – "we are still oscillating around the break-even point".

However, the company would make a loss after provisions of some DM100m to cover future development and restructuring costs, Mr Knaup said. This net loss would exceed DM100m. Last year, net profits fell by 59 per cent to DM93m.

Richard Lapper looks at plans to relaunch Royal Insurance

Victim poised to become a predator

Royal Insurance, seen by many as the weakest of the UK's battered insurers, is gearing itself for a relaunch in the new year.

The power and effectiveness of Royal's top management is growing, after a decade in which the whims of local managers – described by one insider as feudal barons – have too often prevailed.

The management renaissance, largely the work of Mr Richard Gamble, Royal's chief operating officer, is likely to be marked soon by his elevation to the post of chief executive. The incumbent, Mr Ian Rushton, is likely to become vice-chairman.

Efforts to repair the group's balance sheet, battered by losses in the UK and the US, will also gather momentum in 1992. Capital-raising initiatives focus on strategic alliances with international insurance companies. The emerging link announced earlier this month with Italy's Fondiaria and Germany's Aachener und Münchener is the first.

Stronger management and a healthier balance sheet have been badly needed. Royal's pre-tax losses for 1990 amounted to £187m ($330m) in 1990 and are expected to climb to more than £250m by the end of 1991.

Losses on domestic mortgage indemnity business will reach £400m by the end of 1993, while the group's solvency margin – which measures capital as a percentage of premium income – is still at the worryingly low level of 35 per cent.

With about a fifth of the market for house and mortgage indemnity insurance, Royal has been harder hit than most by the spate of claims from storm damage, subsidence and mortgage default over the past two years.

However, Royal has entered the downturn with its financial strength sapped following a series of problems in the 1980s:

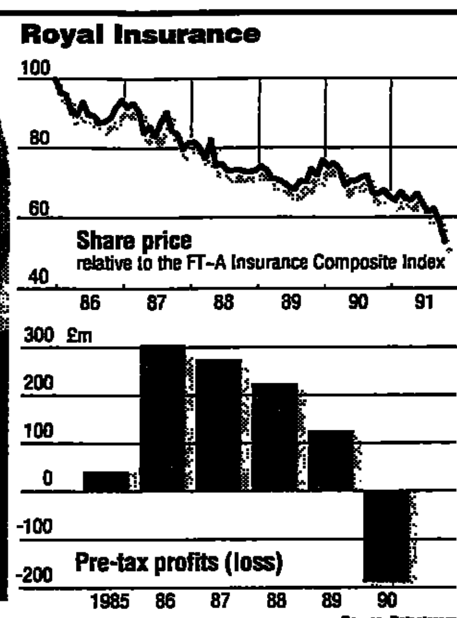
● The group expanded rapidly in the US in the early and mid-1980s in the commercial risks business, accumulating losses of $361m between 1981 and 1990. Poor management aggravated difficulties. The group underestimated the potential claims from liability business in 1986 and 1987 and has had to make significant extra provisions more recently, according to Mr Chris Pountain, analyst with Morgan Stanley, the investment bank.

● Royal failed to change its investment portfolio to take advantage of the 1980s boom in equities sufficiently quickly. By contrast Sun Alliance – Royal's biggest competitor in the UK housing market – invested strongly in equities in the early 1980s, and has been better placed to withstand the downturn in 1990 and 1991.

● Royal paid cash for a network of estate agents in 1985 – at a cost of more than £200m. Yet the network has so far produced losses of £50m.

The change in direction at Royal was signalled by the appointment of Mr Gamble, former deputy finance director of British Airways, as finance director in 1990. He was the first top manager to be appointed to Royal from outside the industry and imposed new financial disciplines on Royal's subsidiaries and regional branches. Sir John Cuckney, non-executive chairman, has also been playing a leading role in the overhaul.


Sir John Cuckney



Source: Datastream


Richard Gamble

Managers used to "their own underwriting rules, their own computers and their own staffing," in the words of one insider, are facing tougher controls and more consistent emphasis on the bottom line. "The rope they were given was too slack."

At Royal Life, the sluggish life assurance subsidiary, 600 jobs have been cut and a chaotic range of life insurance and investment products reduced.

Royal has drastically shrunk its US operation, closing many of its smaller branch offices and reducing staff numbers. Only one third of the staff there five years ago are still in place. Over the past year alone premium income has been reduced more than a third, with the group pulling out of a number of loss-making lines.

The new year will see the launch of the new Royal Insurance. In plans consciously based on the BTR school of industrial management, Royal's head office will be reorganised, with some job losses. The aim is to strengthen its ability to exercise tight financial controls over subsidiaries and bolster its role as strategic planner.

Mr Gamble will continue his efforts to impose a new management style at the group's subsidiaries, drawing in executives with broad industrial experience – such as finance director Mr Mike Dowdy – to complement Royal's home-grown insurance managers.

The capital raising initiatives focus on a series of alliances aimed at giving Royal access to the capital resources of a network of insurance companies.

The idea is that although no one member of the network will be as big as the giants of the worldwide industry, such as France's Union des Assurances de Paris or Germany's Allianz, the network as a whole will have the strength to compete in the global market.

For the moment efforts are focusing on co-operation with Royal's European partners, Fondiaria of Italy and Aachener und Münchener, (A&M) of Germany. Royal has owned an 18 per cent stake in A&M, Germany's third largest insurer, since 1979 and bought its Italian subsidiary, Lloyd Italico, from Fondiaria in 1989. Fondiaria still owns 10 per cent of Lloyd.

The three companies are negotiating over future collaboration and Royal plans to issue a £300m convertible to give A&M and Fondiaria a 15 per cent stake in the group as a whole. Assurances Générales de France (AGF), 75 per cent owned by the French government, has built up a 16 per cent stake in A&M. AGF may become part of the new network, but not in the short term.

Underpinning the group's thinking is a belief that financial size and strength is becoming more important than ever for success in insurance. Royal believes British insurance companies in general are too small compared with foreign rivals.

Rationalisation within the UK industry – by the merger of Royal and another large composite, such as GRE – is ruled out at present by the weakness of both parties. However, if Royal succeeds in joint ventures, such a link would be possible. In that event, Royal would become predator rather than victim.

DnB to receive NKr5.9bn in state-backed rescue plan

By Karen Fossli in Oslo

DEN NORSKE Bank, Norway's biggest bank, is to receive a NKr5.9bn ($932m) capital injection through a state-backed bail-out in which the bank will also acquire Realkreditt, a financially-troubled Norwegian mortgage group.

Under the terms of the financial restructuring, the state could take an 82 per cent stake in the bank.

The government has lent its support to the rescue plan after an undertaking that the bank would write down sharply the face value of its shares, offer the resignation of its board and cut operational costs by 10 per cent by the end of next year.

Trading in DnB's shares was resumed yesterday after being suspended last Thursday when the bank said that it was negotiating to acquire Realkreditt.

The largest part of the NKr5.9bn cash injection will come through the cash transfer of NKr3.25bn in the form of preference capital from the state-operated bank insurance fund, which provides liquidity loans to banks.

The deal also calls for the fund to guarantee NKr1.68bn of a planned preferential share issue.

The seven biggest shareholders in Realkreditt will guarantee another NKr700m of the preferential share issue but will also guarantee NKr250m to underpin an issue of ordinary DnB shares.

Realkreditt can demand that the NKr700m in preference shares be converted to ordinary shares by the time DnB's 1993 accounts are approved.

The two share issues will be launched once 1991 accounts are approved by DnB's board, but no later than by September next year.

If the NKr2.37bn preferential share issue fails, the state could own up to 82 per cent of DnB's share capital, according to Mr Ole Lund, the bank's board chairman.

The bank aims to achieve a break-even in the operating result, after losses but before extraordinary items, by the end of next year and boost capital adequacy to 8 per cent by the start of next year.

DnB earlier received a NKr2.2bn cash injection from the state-backed guarantee fund for commercial banks, joining several other banks in the country that have been forced to accept state intervention to stay afloat.

The state currently has no shares in the bank.

Derivatives funds to be launched

By Tracy Corrigan in London

THE first futures and options funds (FOFs) are to be launched, six months after UK regulators first opened the doors to the creation of authorised unit trusts investing in such instruments.

John Govett, the UK fund management group, is expected to launch a group of nine futures and options funds tomorrow, subject to final approval from the Securities and Investments Board (SIB) and the Investment Management Regulatory Organisation (IMRO).

FOFs can invest up to 10 per cent of their assets in derivative products, while the riskier geared futures and options funds (GFOFs) can have up to 20 per cent of their assets in futures and options.

Several fund managers, such as Prudential, have had to put their plans for FOFs and GFOFs on hold, after market research showed widespread distrust of derivative instruments among retail investors.

Indeed, the legislation to allow unit trusts to use futures and options was strongly opposed by some unit trust professionals, who feared the perceived risks of futures and options could undermine the industry's reputation for conservatism.

The first of this type of unit trust will avoid the sensitive retail market. The John Govett funds will be targeted at medium-sized financial institutions, with a £100,000 ($177,570) minimum investment.

Under one administrative blanket, the structure consists of four "bull" funds (that is, funds which take a positive view on the market) and four "bear" (negative) funds which track stock indices in the UK, the US, Europe and Japan; and also a cash fund.

John Govett's FOFs are modelled on the firm's existing offshore futures funds, which have $65m under management.

Whatever the response to the John Govett launch, it may give little indication of the potential of FOFs in the retail market. Fund managers may decide intermediaries are worth targeting in the hope that retail investors will become more receptive to the concept of futures and options funds if they can be shown track records.

The SIB said it had so far received 10 applications for authorisation of FOFs and one for a geared futures and options fund (GFOF).

INTERNATIONAL COMPANIES AND FINANCE

Building groups in partial merger to fight recession

By Andrew Taylor, Construction Correspondent, in London

TARMAC and Steetley, two of Britain's biggest building materials companies, are to merge their domestic brick, clay roof tile and concrete products operations to combat the recession in the UK construction industry.

The joint venture, Allied Building Materials, to be owned equally by Tarmac and Steetley, would have generated combined pre-tax profits of £22.7m ($40m) on sales of £220m last year. These figures mean that Allied will be one of the UK's largest building product companies.

Tarmac said its UK construction, housebuilding and concrete businesses and its international interests would not be involved in the joint venture.

Steetley, which will receive £30m cash, will continue to manage separately its European concrete and aggregate businesses. It is the largest aggregates company in France.

Both companies warned that between three and six of the 24 brick plants they own could close. The brick division was expected to provide more than half the annual savings of £10m the joint venture is seeking to generate from rationalisation and improved efficiency.

Mr Richard Miles, Steetley's managing director, said overcapacity in the UK brick industry was about 25 per cent and other manufacturers would need to reduce manufacturing capacity.

Tarmac, however, has long wanted to expand its UK brick business, which is only slightly more than half the size of that of its joint venture partner.

Steetley, for its part, will welcome a cash injection which, with a revaluation of its mineral reserves, should reduce gearing from more than 60 per cent to less than 50 per cent.

The company will also become less vulnerable to a takeover. Speculation that Steetley might be the subject of a bid arose after the company announced a 72 per cent fall in pre-tax profits from £49.2m to £13.5m during the six months to the end of June.

Tarmac's share price on the London Stock Exchange yesterday fell 2p to 127p following a warning that its UK housing results this year would be worse than expected. Steetley's share price was unchanged at 269p.

Mr Miles said Allied Building Materials would have net assets of £300m. It would be established debt-free but with the authority to raise borrowings of £50m, of which £30m would be paid to Steetley.

Allied will be Britain's second-largest brick company and the largest producer of clay roof tiles and concrete building products mainly for housing but also for commercial construction.

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NH Geotech faces further heavy job cuts

N. H. GEOTECH, formed in May from the merger of Fiat and Ford's agricultural and construction equipment activities, may be forced to make further heavy job cuts because of the downturn in the world farm equipment industry, writes Andrew Baxter.

The UK-based company, 80 per cent owned by Fiat and 20 per cent by Ford, has already cut about 4,700 jobs.

N. H. Geotech has reduced employment across the board, in the UK, US, Brazil, Belgium and Italy, but the process has not been random, Mr Vincenzo Morelli, executive vice-president stressed.

It is linked to specialisation across the company's manufacturing plants. This is a crucial part of N. H. Geotech's strategy of becoming stronger through behind-the-scenes rationalisation rather than merging long-established dealer networks.

In the UK, 650 jobs are going at Ford New Holland's Basildon plant.

Skis Rossignol back in black at half-year

By Alice Rawsthorn in Paris

SKIS ROSSIGNOL, a leading player in France's sports equipment industry, returned to the black in the first half of this year, with net profits of FFr840,000 ($152,727) compared with losses of FFr11.97m in the same period of 1990.

The company, which a few weeks ago announced an increase in turnover to FFr762.72m, against FFr711.06m, for the six months to September 30, benefited from the first contribution from Roger Cleveland, the golfing products company it acquired last year.

Skis Rossignol was also aided by buoyant demand for its skiing products from Japan and Europe.

The company said it expected the improvement to continue in the second half of the year. It is on course for a further increase in sales, and also for profits of an estimated FFr100m in the full financial year. This should help to compensate for losses of FFr140m last year.

The group, which produces tennis equipment as well as golfing and skiing products, has been cutting costs after last year's financial difficulties. The benefits of this cost-cutting are expected to strengthen its performance this year.

However, the first-half figures include exceptional costs of at least FFr15m for the closure of a company.

● Celatose, the sole surviving French manufacturer of disposable nappies which recently announced it was in takeover talks, refused to comment on reports that it was about to be acquired by Gilinksi, a Columbian industrial group, for around FFr116m.

● The sale of 5.78m shares in French oil firm, Elf Aquitaine, will go ahead on December 10, as planned, only if market conditions permit, Elf's holding company said yesterday.

Leaving the competition by the roadside

German unification has lifted MAN's truck business to new heights, writes Kevin Done

MAN Nutzfahrzeuge, the German truck-maker, is powering through the recession in the western European truck industry, while most of its rivals report plunging profits or are already deep in loss.

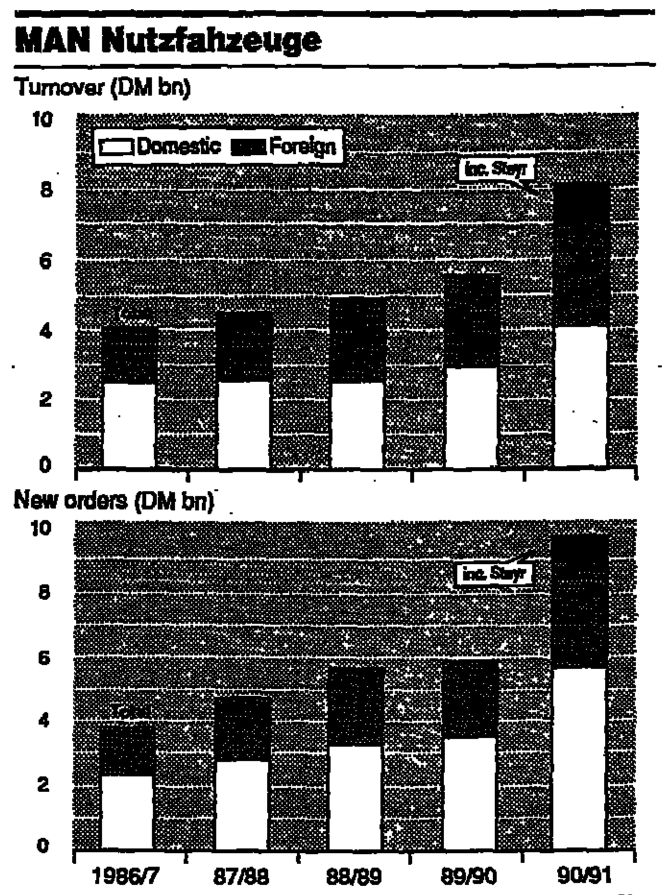
In the year to the end of June, the company turned in a record financial performance. The unprecedented imbalance of automotive demand in western Europe in the past 18 months – with sales in Germany at record levels while several other markets, most notably the UK, are mired in recession – means that MAN's weaknesses have suddenly become its strengths.

DAF, the Dutch truck-maker, is awash in red ink; Volvo Truck's profits have plummeted; Renault Véhicules Industriels of France barely broke even in the first half under the pressure of heavy losses in the US; while Iveco, the commercial vehicles subsidiary of Fiat of Italy, has seen its profits evaporate, in part because of the heavy losses of Enasa, its recent Spanish acquisition.

In the middle of such gloom, MAN Nutzfahrzeuge, the commercial vehicles subsidiary of MAN, the German engineering group, raised turnover in its financial year to the end of June by 33.5 per cent, to DM7.39bn ($4.59bn), with a 41.3 per cent jump in domestic turnover to DM4.19bn.

The value of new orders booked in 1990-91 jumped 52.8 per cent to DM9.05bn – domestic orders alone increased by DM2.4bn, or nearly 70 per cent, to DM5.8bn – and after-tax profits rose 24 per cent to DM196.6m.

MAN truck and bus production rose 11 per cent to 38,200, against the background of a western European truck (above 6 tonnes) market, excluding former East Germany, that declined by 8 per cent to 270,000. While the truck-makers' workforces from Spain to Sweden are being cut back painfully, the German truck-producer raised the number of its employees in 1990-91 by 4,467 to 27,896. (Some 2,700 of these are accounted for by the acquisition of the Steyr truck operations in Austria).



MAN is a medium-sized truck-manufacturer overshadowed by the premier league players of Europe, Volvo/Renault, the Swedish-Franco alliance formed last year, Daimler-Benz of Germany and Iveco of Italy.

It lacks the breadth of these companies' international operations. For the moment, however, this is a godsend, as Volvo, Mercedes-Benz and Renault rack up losses on their North American operations.

Within Europe, MAN is over-dependent on Germany – where it controls 20 per cent of the market – and weak in many other markets.

MAN failed last year to broaden its European base through the takeover of Enasa, the Spanish state-owned truck-maker. That failure, too, has been a short-term bonus, however, as Iveco, which won the deal, is now having to shoulder Enasa's spiralling losses.

MAN's performance illustrates the polarisation in demand throughout the western European automotive industry in the last 18 months.

While demand across much of the continent for cars and commercial vehicles has slumped – and most sharply of all for heavy trucks - sales in Germany have jumped to record levels, fuelled by the process of reunification.

Even excluding the one-off addition of the Steyr operations, MAN lifted its new orders in 1990-91 by 41 per cent, or DM2.4bn. Without Steyr, its turnover rose by DM1.1bn, or 20 per cent, and vehicle output by 7 per cent to 35,000.

Buoyed by its strong presence in Germany, MAN boosted its share of the western European truck market in 1990-91 to 11 per cent (including eastern Germany) from 8.5 per cent (excluding eastern Germany) a year earlier.

"We more than compensated for the decline in exports through higher domestic sales," says Mr Wilfried Lochte, MAN Nutzfahrzeuge management board chairman. In the 1991 calendar year, the company expects to boost output to 40,500 from 36,212 in 1990.

The volume of MAN's domestic truck and bus sales has jumped in the last two years by 75 per cent, to 23,166 in the 1991 calendar year from 13,215 in 1989. Over the same period, its exports have fallen by 13.8 per cent to 14,270 in 1991 from 16,547 in 1989.

In contrast to most of its European rivals, MAN has worked at the limit of its capacity this year and been unable to keep up with new orders. German unification has provided a big boost; eastern Germany accounted for more than 11 per cent of domestic orders in 1990-91, with direct orders for 3,800 vehicles.

With an order book valued at DM4.5bn at the end of June, Mr Lochte claims that capacity output for 1991-92 is virtually guaranteed. The company forecasts a further modest rise in turnover in 1991-92, by some 8 per cent to around DM8bn.

How long can the party last for MAN?

According to a recent forecast by DRI Europe, the London-based automotive analysts, the level of new orders for both vans and trucks in Germany indicates that the peak of the boom will soon have passed.

"When the German manufacturers' substantial order backlog has been worked through, the market will drop significantly, some time in the first half of 1992," warns DRI.

At the same time, the impending deregulation of the German transport market is expected to weaken demand for medium and heavy trucks from 1992. DRI claims that deregulation will mean large-scale retrenchment in the German heavy truck market, as capacity is cut in the heavy long-distance haulage fleet.

Airtours surges to £27m as market share doubles

AIRTOURS, the UK-based package holiday company that doubled its market share this summer, saw pre-tax profit multiply more than four times to £27.5m ($48.67m) in the year to September 30, writes Jane Fuller in London.

The rise from £6.3m came in the year that International Leisure Group collapsed. It was the second largest operator after the Canadian-controlled Thomson group.

Its demise has more than compensated for a further 3 to 5 per cent fall in the number of package holidays taken by Britons to about 9.5m in the past 12 months.

Airtours's share price closed down 15p at 908p yesterday, still nearly six times the year's low of 155p.

Mr David Crossland, chairman and holder of about 38 per cent of the shares, said even before the March collapse of ILG, his company had expected to increase its share of the summer holiday market from 7 to 10 per cent. It ended up with 13 per cent.

The number of tourists rose from 780,000 to nearly 1.2m, and a further 200,000 to 300,000 could be added this year, giving the group a 16 per cent market share – closer to the second-placed operator Owners Abroad.

With turnover rising from £183m to £289m, Airtours showed a sharp improvement in margin. Mr Crossland said package holiday profitability had returned to the levels of the early 1980s. The intervening five seasons had been abnormal because of a price war between Thomson and ILG's Intasun.

Profits had also been helped by the new airline, which started operating in the spring with five aircraft. Three more had been ordered. There was a turnround from loss to profit at EuroSites, the self-drive camping holiday business.

Earnings per share rose to 98.71p, against 28.76p. A final dividend of 21p makes a total of 23p, against 8.25p

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Nova scraps plan to split off pipelines and chemicals

By Bernard Simon in Toronto

NOVA Corporation of Alberta has abandoned a plan to split its pipeline and chemicals businesses into two companies.

Mr Ted Newall, Nova's chief executive, said yesterday that the decision was based on the depressed state of the petrochemicals market, "which makes the establishment of the chemicals company as an independent entity impractical".

Instead, Nova's corporate structure is to be decentralised, with a small head office to oversee treasury, legal and similar functions.

Outsiders suggested, however, that the change of plan might be linked with recent management changes at Nova, including last September's appointment of Mr Newall, previously chief executive of Du Pont's Canadian subsidiary. Mr Newall succeeded Mr Bob Blair, who had been Nova's chief executive for more than 20 years.

The split would have left Mr Newall in charge of a struggling company which contributed three-quarters of Nova's C$2.4bn (US$2.1bn) revenues in the first nine months of this year, but less than 15 per cent of operating income.

According to Toronto securities firm Moss Lawson, the stock market assigns a value of C$325m to the chemicals business, about one-third of its estimated book value.

In anticipation of the split, Nova this year named a well-known energy industry executive, Mr Richard Haskayne, to its board, as future chairman and chief executive of the fast-growing pipeline operation.

But the restructuring announced yesterday will take a bite out of the executive ranks, and Mr Haskayne's position appears to be among those in limbo.

Nova suffered a C$258m third-quarter loss, due largely to a writedown on its 43 per cent interest in Husky Oil, a leading western Canadian oil and gas producer. Nova is selling its Husky stake to Mr Li Ka-Shing, the Hong Kong business executive.

Other measures taken in recent months to conserve cash include a dividend cut and a sharp reduction in capital spending.

Nova's pipeline network collects most of the natural gas produced in Alberta for onward transmission to other parts of North America.

Mr Newall said that the proposed separation into two companies might be reconsidered when the chemicals industry recovered.

McDonnell Douglas settles tax dispute

By Martin Dickson in New York

McDONNELL Douglas, the financially-stretched US defence group, yesterday took another significant step in putting its finances in order when it announced a settlement of a long-standing dispute with the US tax authorities.

The dispute, one of several factors creating uncertainty on Wall Street over the group's financial obligations, concerned the timing of tax payments on military aircraft contracts and the allocation of goodwill from two acquisitions in 1984.

Under the settlement, McDonnell Douglas had already paid an additional $150m to the Internal Revenue Service for the 1977-1985 period and it will probably have to pay around $500m – both in tax principal and interest on the sum – by 1994 when the IRS completes its audits for the 1986-89 period.

McDonnell Douglas is deciding whether to pay off the sum before 1994, possibly by the end of next year, which would reduce its interest liability.

The settlement appears to be lower than the company had feared. For the past three years, McDonnell Douglas has been putting aside money to cover interest payments likely to be paid to the IRS in the event of a settlement.

But it said yesterday it had over-accrued these interest expenses and would record a gain in the fourth quarter, which is likely to be around $50m.

The IRS has returned to the company the stock of McDonnell Douglas Helicopter held as security.

SA bank group sharply increases debt provisions

By Philip Gawith in Johannesburg

AMALGAMATED Banks of South Africa, the country's largest banking group, has sharply increased provisions for bad debts in the six months to the end of September.

The provisions reflect the impact of continuing extended recession and standardisation of group policy on credit.

The latter follows the merger of the interests of the Allied, United and Volkskas groups, as well as part of Sage, into Absa to form the country's largest banking group with assets of R53bn ($18.9bn)

The R220.3m provision for bad and doubtful debts compares with only R14.8m in the same period in 1990, but at 0.52 per cent of total advances it compares favourably with other banks.

Absa's net margin – interest on advances and income on investments less interest payable – rose to R1.13bn from R373.5m. Operating income – net margin less bad debts plus other operating income – rose to R1.36bn from R423.7m. Attributable income was up at R207.3m from R95m.

Mr Piet Badenhorst, chief executive, said profitability in the Allied division, concerned mostly with home loans, had been hit by more prudent debt provision policies and inadequate margins arising from the structure of its mortgage portfolio.

He said rationalisation following the merger had proceeded faster than anticipated.

Mr Badenhorst predicted a satisfactory performance in the second half. The dividend was lifted by 14 per cent to 15.5 cents per share on the back of a 15.2 per cent increase in earnings to 45.4 cents per share.

Minorco expands in Germany

By Leslie Colett in Berlin and Kenneth Gooding in London

MINORCO, the overseas investment arm of the Anglo American-De Beers group of South Africa, has made its second purchase from the Treuhandanstalt, the German government organisation responsible for privatising state-owned businesses in the former east Germany.

It has bought Lausitzer Grauwacke, a hardstone producer, together with the working rights to 40m tonnes of reserves, for DM27.2m cash ($16.9m) plus the assumption of about DM5m of debt.

Minorco will also spend DM15m over the next three years to modernise and improve environmental standards at Lausitzer.

The company said the combination of Lausitzer and Elbekies, a sand and gravel producer with 230m tonnes of reserves on the River Elbe, acquired in June, "gives Minorco a leading position in the German aggregates industry and a sound base for further European expansion."

Lausitzer was operating profitably, said Minorco, and had the largest quarry in the former east Germany, with annual production of 2.4m tonnes of high-quality hard rock called greywacke. It is based at Ossling in Saxony, 45km north-east of Dresden.

Minorco said Lausitzer should benefit from the substantial planned capital spending on Germany's infrastructure to improve road and rail links.

Lausitzer was also well placed to benefit from significant spending in Berlin over the next 10 years as it developed as the new seat of German government.

British investors in particular have been attracted by the enormous infrastructure improvement programmes in east Germany.

John Mowlem, the UK construction company, last week took control of Bau-Tec, a construction and concrete products company near Berlin. Redland bought several of east Germany's concrete tile factories and RMC acquired cement and concrete producers in the east.

Meanwhile, Tarmac said it had won a DM16m contract to design and build a highway in Saxony.

Anglovaal mine granted reprieve for 12 months

ANGLOVAAL'S troubled Loraine mine has been granted a stay of execution with the announcement that it is expected to stay in production for at least the next 12 months, writes Philip Gawith in Johannesburg.

Anglovaal had said that if production cutbacks failed to return the mine to profitability by the end of November, then phased closure would have to be considered. Loraine made a working loss of R5.1m ($1.82m) in the September quarter.

Yesterday's announcement – that the mine can continue production at a milling rate of 90,000 tonnes per month – contains the proviso that it obtains satisfactory hedging prices for at least 50 per cent of its production over the next year.

From the end of January 1992, Loraine will also be commencing a dump treatment operation, at a rate of 45,000 tonnes per month and a grade of 0.75 grams/tonne.

Banesto, Chile reach settlement

By Leslie Crawford in Santiago

THE Central Bank of Chile and Banesto, the Spanish banking group, have reached an out-of-court settlement over alleged irregularities in a debt-equity swap worth $48.6m.

Banesto this week will pay Chile's monetary authorities $11.7m in damages and a $300,000 fine.

The Spanish bank admitted it had breached the regulations of a debt-conversion contract with which it acquired a food-processing company in 1986. The Central Bank in turn agreed to drop the legal suit it had brought against Banesto 10 days ago.

The speed of the settlement appears to have been aimed at limiting the damage to the Spanish bank's international prestige.

The law suit had blocked Banesto's planned acquisition of Banco del Pacifico, a small Chilean bank. This is now expected to go ahead.

Banesto is the second Spanish bank to have fallen foul of Chile's debt-conversion rules. Last year, Banco de Bilbao Vizcaya (BBV), Spain's largest bank, paid the Central Bank $9.1m in damages and fines in another out-of-court settlement.

Because foreign investors obtain an implicit subsidy by buying Chilean debt at a discount on the secondary market and exchanging it for pesos at near face value to invest in Chile, the Central Bank monitors these transactions closely.

More than $3.4bn of Chilean debt has been retired since the country began its debt-conversion programme in 1985.

Debswana wins fresh contract with De Beers

By Kenneth Gooding, Mining Correspondent

DEBSWANA, the diamond company jointly owned by the government of Botswana and De Beers of South Africa, has won considerably more independence in return for signing another five-year contract for the whole of its production to be sold by De Beers' Central Selling Organisation.

Some analysts believe the contract, which ends in 1995, will be the last giving De Beers exclusive rights to sell output from Botswana, which in value terms vies with the Soviet Union as the most important producer of rough diamonds in the world.

Debswana, which previously relied heavily on the Anglo American Corporation of South Africa, De Beers' sister company, is to set up its head office in Gaborone. It will have its own chief executive, Mr Baledzi Gaolathe, at present permanent secretary at the Botswana Ministry of Finance and Development Planning. He is already a member of the Debswana board.

Mr Ken Trueman, Anglo's consulting engineer to Debswana mines, will retain this position, but is also seconded to Debswana as the company's chief technical officer.

Debswana is now expected to push ahead with a previously announced $150m project to expand output by one-third at Jwaneng, the biggest of the three mines it owns.

A decision about this project will be made during the first half of next year.

Alberta to cut stake in Telus

By Robert Gibbens in Montreal

THE ALBERTA government is selling most of its 43 per cent interest in Telus, the holding company for the provincial telecommunications group, AGT. It hopes to raise nearly C$850m (US$752.2m) from a secondary offer of the stock.

In October last year, the government sold 57 per cent of Telus for C$850m in the first stage of privatisation.

In the second stage, it hopes to make a net profit of about C$150m, to be set against the provincial budget deficit. Alberta residents will be given precedence in the coming issue, and in some circumstances interest-free one-year loans will be made available for share purchases.

A final price for the stock offering will be set tomorrow.

INTERNATIONAL CAPITAL MARKETS

Tokyo drives forward as equity slide continues

By Richard Waters in London and Karen Zagor in New York

THE Japanese government bond market sparked into life yesterday as the Tokyo stock market weakened, driving bond prices out of the narrow trading range they have followed recently.

The sight of the Nikkei stock index falling below 22,000 for the first time since August, was enough to persuade the bond market the official discount rate would fall further, having already come down half a percentage point little more than two weeks ago. A statement from Mr Yasushi Mieno, the governor of the Bank of Japan, failed to dissuade the market from this belief. Everything points in the direction of a further ODR cut, putting a floor under the bond market for the near future, analysts said. Most are looking for confirmation of the Japanese economic slowdown in figures – due to be released at the end of

GOVERNMENT BONDS

the week – for gross national product in the third quarter of this year, before focusing on the Tankan survey of industrial confidence next week.

The yield on the benchmark No 129 issue, which had settled at around 5.9 per cent from mid-November, has edged down recently, closing last week at 5.84 per cent. By yesterday's close it had moved sharply lower to 5.79 per cent.

■ US Treasuries held steady yesterday in thin trading. In late trading, the bellwether 30-year bond was $\frac{1}{32}$ higher at 101⅛, yielding 7.90 per cent, while the three-year note gained $\frac{1}{32}$, to yield 5.67 per cent.

The Federal Reserve arranged three-day system repurchase agreements when Fed Funds were trading at 4⅞ per cent. An adding move by the Fed was expected and there was no policy meaning attached to the Fed's operation. Economists said the high demand for cash at this time of the year had put pressure on the Fed to add liquidity to the banking system. In addition, Monday's settlement of recent two and five-year note auction put pressure on reserves.

There was little reaction to yesterday morning's release of the November National Association of Purchasing Management (NAPM) Index, although the reading showed a slower rate of economic growth than expected, while manufacturing growth came to a standstill.

Although the NAPM figures were generally bullish for the Treasuries, the market's reaction was only cautiously positive. Trading is expected to remain fairly subdued through the week, as the market waits for Friday's release of employment figures for November.

■ NERVOUSNESS about the state of the Soviet economy and light trading ahead of next weeks' Masstricht summit, helped to explain the uneasy mood that settled on most European government bond markets yesterday.

Yesterday, the Bundesbank moved to add liquidity, as short-term German intererst rates rose 25 basis points on the day. Analysts said this was associated with German reserve ratio requirements, which generally led to a liquidity squeeze during December, and would have little effect at the longer end of the market.

French government bonds came under greater pressure over concern about the franc. The yield on the 10-year benchmark bond rose 8 basis points on the day, to close at 9 per cent. At that level, it stood at a spread of 67 basis points over the German bond market at the ten-year end – a sharp rise from the range in which it had been trading, at around 60 basis points, since last month's interest rate rise.

■ THE UK government bond market, which is still digesting last week's latest bond issue, weakened slightly in line with other European markets. The benchmark 11¾ per gilt maturing 2003/2007 closed at 112, for a yield of 9.92 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.7061	-0.209	9.81	9.76	9.85
BELGIUM		9.000	06/01	98.9000	-0.100	9.16	9.18	9.08
CANADA *		8.500	04/02	100.0500	+0.250	8.49	8.61	8.54
DENMARK		9.000	11/00	99.5250	-0.100	9.08	9.04	8.94
FRANCE	BTAN	8.500	11/96	97.3656	-0.189	9.18	9.15	8.93
	OAT	9.500	01/01	102.8500	-0.470	9.00	8.97	8.75
GERMANY		8.25	09/01	99.3600	-0.140	8.34	8.29	8.35
ITALY		12.000	06/01	96.3300	-0.250	12.68	12.65	12.39
JAPAN	No 119	4.800	06/99	93.1334	+0.194	6.13	6.24	6.21
	No 129	6.400	03/00	103.3810	+0.259	5.79	5.91	5.87
NETHERLANDS		8.500	03/01	97.8200	-0.080	8.84	8.78	8.77
SPAIN		11.900	07/96	99.8000	-	11.90	11.98	11.58
UK GILTS		10.000	11/96	100-05	-04/32	9.96	10.02	9.79
		10.000	02/01	100-11	-08/32	9.94	9.98	9.78
		9.000	10/08	94-12	-11/32	9.68	9.75	9.57
US TREASURY *		7.500	11/01	101-11	+17/32	7.30	7.44	7.44
		8.000	11/21	101-02	+14/32	7.90	7.97	7.88

London closing. *New York closing session. Prices: US, UK in 32nds, others in decimal

Yields: Local market standard. Technical Data/ATLAS Price Sources

Milan seeks end to bar on settlement

THE Milan Stock Exchange committee has formally asked the Consob bourse regulator to lift its suspension of the November settlement, imposed on Friday because of difficulties provoked by the failure of a leading broker, Reuter reports from Milan. The request was made after the magistrate investigating the bankruptcy of Milan broker Claudio Capelli said he did not oppose completing the settlement process.

Consob decided to suspend the end-month settlement after the magistrate said the bankruptcy proceedings could lead to cancellation of all trades made by Capelli during the month.

Capelli was suspended by Consob on October 24 for alleged mismanagement of clients' accounts and subsequently declared bankrupt.

Despite the risk that deals involving Capelli could be reviewed later, the bourse committee said it was asking for the settlement procedure to be allowed to proceed.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on December 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 96	200	105⅛	106⅛	-⅛	6.82
ALBERTA PROVINCE 9 3/8 95	600	108⅝	109	+⅛	6.78
AUSTRIA 8 1/2 00	400	104⅝	105	+⅛	7.71
BANK OF TOKYO 8 3/8 96	100	103¾	104¼	+⅛	7.32
BELGIUM 9 5/8 98	250	110⅝	111	+⅛	7.51
BFCE 7 3/4 97	150	102⅝	103⅛	+⅛	7.12
BNP 8 5/8 94	300	105⅜	105⅞	+⅛	6.35
BRITISH GAS 8 3/8 99	350	104⅝	104⅞	+⅛	7.60
CANADA 9 96	1000	108¼	108⅝	+⅛	6.69
CARCO 9 1/4 96	650	103½	104⅛	+⅛	8.30
CCCE 9 1/4 95	300	108⅛	108½	+⅛	6.38
COUNCIL EUROPE 8 96	100	104	104½	+⅛	6.95
CREDIT FONCIER 9 1/2 99	300	110⅛	110⅝	+⅛	7.57

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.65
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¾		9.22
WORLD BANK 8 96 LFr	1000	96⅛	97½		9.09
ABN AMRO HOLDING 9 1/4 01 Fl	750	102⅛	102⅝		8.87
UNILEVER 9 00 Fl	500	102¾	103¼	-½	8.52
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106⅝	+½	8.73
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	+⅛	9.44
BRITISH COLUMBIA 10 96 C$	500	104⅛	104⅝	+⅛	8.75
EIB 10 1/8 98 C$	130	105	106	+⅛	9.03
ELEC DE FRANCE 9 3/4 99 C$	275	104	104½	+⅛	9.00
FORD CREDIT CANADA 10 94 C$	100	103	103⅝	+⅛	8.66
GEN ELEC CAPITAL 10 96 C$	300	104¼	104¾	+½	8.79
KFW INT FIN 10 01 C$	400	104	104⅛	+⅜	9.32

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 2, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	55.8682	34.7331	43.0119
Albania	(Lek)	10.2294	5.7581	3.5798	4.4331
Algeria	(Dinar)	38.5934	21.7244	13.506	16.7252
Andorra	(Fr Fr)	9.7700	5.4995	3.419	4.234
	(Sp Peseta)	182.45	102.702	63.8495	79.0682
Angola	(Kwanza)	162.28	91.3481	56.7909	70.3271
Antigua	(E Carr $)	4.802	2.703	1.6804	2.081
Argentina	(Austral)	17607.13	9911.13	6161.73	7630.39
Aruba	(Florin)	3.1835	1.792	1.114	1.3796
Australia	(Aus $)	2.2655	1.2752	0.7928	0.9817
Austria	(Schilling)	20.145	11.3397	7.0498	8.7302
Azores	(Port Escudo)	254.70	143.372	89.1338	110.379
Falkland Is	(Falk £)	1.00	0.5629	0.3499	0.4333
Faroe Is	(Danish Kroner)	11.0950	6.2454	3.8827	4.8082
Fiji Is	(Fiji $)	2.6170	1.4731	0.9158	1.1341
Finland	(Markka)	7.73	4.3512	2.7051	3.3499
France	(Fr)	9.7700	5.4995	3.419	4.234
Fr. Cty/Africa	(CFA Fr)	488.50	274.979	170.954	211.701
Fr. Guiana	(Local Fr)	9.7700	5.4995	3.419	4.234
Fr. Pacific Is	(CFP Fr)	175.00	98.5083	61.2423	75.8396
Gabon	(CFA Fr)	488.50	274.979	170.954	211.701
Gambia	(Dalasi)	16.1488	9.0902	5.6513	6.9983
Germany	(D-Mark)	2.8575	1.6084	1	1.2383
Ghana	(Cedi)	686.308	386.326	240.178	297.425
Gibraltar	(Gib £)	1.00	0.5629	0.3499	0.4333
Greece	(Drachma)	325.62	183.293	113.953	141.114
Greenland	(Danish Krone)	11.0950	6.2454	3.8827	4.8082
Grenada	(E Carr $)	4.802	2.703	1.6804	2.081
Guadaloupe	(Local Fr)	9.7700	5.4995	3.419	4.234
Guam	(US $)	1.7765	1	0.6216	0.7698
Guatemala	(Quetzal)	9.01775	5.0761	3.1558	3.9079
Guinea	(Fr)	1444.66	813.206	505.568	626.072
Guinea-Bissau	(Peso)	8892.50	5005.63	3111.99	3853.74
Guyana	(Guyanese $)	215.66	121.396	75.4715	93.4604
Haiti	(Goude)	8.8925	5.0056	3.1119	3.8537
Namibia	(S A Rand)	4.9477	2.785	1.7314	2.1441
Nauru Is	(Australian $)	2.2655	1.2752	0.7928	0.9817
Nepal	(Nepalese Rupee)	75.94	42.7469	26.5756	32.91
Netherlands	(Guilder)	3.2225	1.8139	1.1277	1.3965
N'nd Antilles	(A/Guilder)	3.1835	1.792	1.114	1.3796
New Zealand	(NZ $)	3.1522	1.7743	1.1031	1.366
Nicaragua	(Gold Cordoba)	8.8925	5.0056	3.1119	3.8537
Niger Rep	(CFA Fr)	488.50	274.979	170.954	211.701
Nigeria	(Naira)	17.4293	9.811	6.0994	7.5533
Norway	(Nor. Krone)	11.2500	6.3326	3.937	4.8754
Oman	(Rial Omani)	0.6834	0.3846	0.2391	0.2961
Pakistan	(Pak. Rupee)	43.00	24.2048	15.0481	18.6348
Panama	(Balboa)	1.7765	1	0.6216	0.7698
Papua New Guinea	(Kina)	1.6825	0.947	0.5888	0.7291
Paraguay	(Guarani)	2365.43	1331.51	827.797	1025.11
Peru	(New Sol)	1.80	1.0132	0.6299	0.78
Philippines	(Peso)	46.00	25.8936	16.0979	19.9349
Pitcairn Is	(£ Sterling)	1.00	0.5629	0.3499	0.4333
	(NZ $)	3.1522	1.7743	1.1031	1.366
Poland	(Zloty)	19761.00	11123.6	6915.49	8563.81
Portugal	(Escudo)	254.70	143.372	89.1338	110.379
Puerto Rico	(US $)	1.7765	1	0.6216	0.7698
Qatar	(Riyal)	6.4521	3.6319	2.2579	2.7961
Venezuela	(Bolivar)	107.6762	60.6114	37.6819	46.6635
Vietnam	(Dong)	22907.08	12894.5	8016.48	9927.23
Virgin Is-British	(US $)	1.7765	1	0.6216	0.7698
Virgin Is-US	(US $)	1.7765	1	0.6216	0.7698
Western Samoa	(Tala)	4.2784	2.4083	1.4972	1.8541
Yemen (Rep of)	(Rial)	21.5198	12.1135	7.5309	9.326
Yemen (Rep of)	(Dinar)	0.8199	0.4615	0.2869	0.3553
Yugoslavia	(Dinar)	37.266	20.9772	13.0414	16.1499
Zaire Rep	(Zaire)	117690.0	66248.2	41186.4	51003.3
Zambia	(Kwacha)	145.837	82.0923	51.0365	63.2013
Zimbabwe	($)	8.964	5.0458	3.137	3.8847

Special Drawing Rights November 27, 1991 United Kingdom £0.782582 United States $1.38791 Germany D Mark 2.23495 Japan Yen179.526
European Currency Unit Rates December 2, 1991 United Kingdom £0.713258 United States $1.26746 Germany D Mark 2.03744 Japan Yen164.643

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate. (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate, (p) preferential rate; (q) convertible rate; (r) parallel rate. ♣ Romania: Official rate abolished; Leu now convertible (8/11). (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday, December 2, 1991.

INTERNATIONAL CAPITAL MARKETS

Proposed accounting rule may break company law

By Richard Waters

A PROPOSED accounting rule that UK banks fear will prevent them from taking assets off their balance sheets could be against UK company law, according to the Law Society.

In a paper to the recently-formed Accounting Standards Board, which had proposed the rule, the lawyers argue that banks should be allowed to take securitised mortgages off their balance sheets, provided they have shifted the risk in the process. The same argument was put forward in a submission yesterday by the Institute of Chartered Accountants in England and Wales, the UK's largest professional body of accountants.

The ASB said last month that banks should not be allowed to remove such assets if they retained any residual interest in the earnings stream which the assets generated.

Requiring companies to consolidate these assets into their accounts was not in line with UK company law, the Law Society said. The requirement amounted to invoking the override allowed in company law that accounts should show a "true and fair" picture. This override was intended for use in cases where circumstances demanded, rather than as a general rule, it said.

David Tweedie: rule change may mean fight with Bank

The Bank of England currently disregards securitised mortgages when assessing a bank's capital adequacy ratio, regardless of the accounting treatment used, provided its 1989 guidelines on securitisation are followed. However, UK banks fear that this will change once the European Community's Solvency Ratio Directive is enacted in UK law. This could force the regulators to assess a bank on its published balance sheet.

The ASB argued yesterday that the directive left the issue open, and that it was up to lawyers drafting the UK law to decide the approach there.

If UK law were to require all assets to be included in the risk-asset ratio, as banks fear, then Mr David Tweedie, ASB chairman, could find himself in the first confrontation with the Bank of England since the body was established.

Japanese groups delay listings

By Emiko Terazono in Tokyo

JAPANESE companies are increasingly postponing new share listings in the wake of the prolonged weakness of the Japanese stock markets.

More than 20 companies last week shelved plans for listings either on the Tokyo exchange's second section and over-the-counter market or the smaller, regional stock exchanges.

The announcements follow a spate of new issue flops where shares have traded at sharply lower levels than the public offering price. According to Nikko Securities, of 27 new listings in November, only 10 managed to trade above pre-listing offer prices.

The recent Y120bn issue by Sony Music Entertainment, the music software arm of the electronics group, highlighted problems of newly-listed shares. The stock closed down 23 per cent on its offer price on the second day of trading.

Share prices determined at the pre-listing share offerings have traditionally been set at high levels, sometimes unrealistic, due to the previous belief that stock prices never fell.

Some companies which have postponed listing plans are also angry about companies which have flooded the market with large amounts of new paper, sucking up limited demand.

"It's unacceptable that smaller companies which want to raise small amounts of only Y1bn have to become victims of companies which have raised in excess of Y100bn," said one company official.

The rally in the Tokyo stock market during September and October heartened underwriters, and companies desperate for cheaper capital rushed to the new listing market.

Eximbank looks to CP

BANKERS Trust, the New York bank, yesterday said it had structured the first Eximbank-guaranteed deal funded in the commercial paper (CP) market, writes Karen Zagor.

Eximbank, the government-backed export guarantee agency, will back a $162m, 13-year securitised financing facility for the sale of two Hughes Communications satellites to Mexico.

The financing has been structured with short-term, floating-rate funding from the CP market and a provision for eventual fixed-rate permanent financing.

Bank sale over-subscribed

CREDIT Local de France, the local authority bank which is the first candidate for the French government's partial privatisation programme, yesterday announced that its FFr1.89bn ($340m) flotation had been over-subscribed, writes Alice Rawsthorn in Paris.

The domestic part of the issue, the whole of which involves the sale of about 25 per cent of CLF's equity, attracted applications for 8m to 11m shares. The bank had offered 7.57m shares.

CLF offered 1.9m shares to foreign investors. It received applications for 7.3m shares.

Japanese banks have debt ratings downgraded

By Robert Thomson in Tokyo

THE debt ratings of the Long-Term Credit Bank of Japan (LTCB) and Mitsui Taiyo Kobe Bank, two leading Japanese institutions, were downgraded yesterday by Moody's Investors Service, the US ratings agency, because of concerns about their asset quality.

LTCB's long-term rating was lowered from A1 to A2 and Mitsui Taiyo Kobe's rating was lowered from Aa3 to A1, as Moody's suggested that the asset quality of both banks had been deteriorating because of their exposure to troubled real estate-related borrowers.

The downgrading highlights the pressures on Japanese banks, which are again seeing capital to asset ratios eroded by a weak Tokyo stock market, and which have also been affected by a record number of bankruptcies this year with the continuing collapse of the financial "bubble" in Japan.

Moody's said that Mitsui Taiyo Kobe's profitability was under strain from costs arising from its creation through a merger of the Mitsui Bank and the Taiyo Kobe Bank, and the new bank still had a "weak capital base".

The US agency suggested that some of LTCB's affiliates may also be affected by problem loans and "under Japanese banking practices, LTCB would be expected to support those affiliates or major customers who require assistance".

An LTCB official said that Moody's decision was "truly disappointing" because the bank had attempted to maintain its asset integrity and had one of the strongest capital to asset ratios among Japanese banks.

Mitsui Taiyo Kobe said that the downgrading did not take into account its efforts towards an "early and efficient" completion of the merger.

The bank said that it accepted the decision, but it added: "We hope that they will fairly evaluate our future performance".

Tokyo Electric launches Y70bn deal

By Simon London

TOKYO Electric Power, the triple-A rated Japanese electricity utility, yesterday led an unusually active start to the week in the international bond market, launching a Y70bn ($538.25m) five-year deal.

The deal, lead managed by Nomura International, saw strong demand after two weeks of muted activity in the Euroyen sector. The 6 per cent bonds were re-offered to investors at a fixed price of 99.80 and were trading at 99.82 bid towards the close of trading.

The Euroyen sector has been quiet since the second week in November, which saw the launch of five substantial deals at about the 10-year maturity, as borrowers sought to take advantage of currency and interest rate swap opportunities. The weight of paper contributed to a slide in secondary market prices from which the sector is only now recovering.

Participants in yesterday's deal said the bonds were fairly priced and the shorter maturity was attracting investors. But, most noted the deal was too large to sell out in a day.

Elsewhere, Cariplo, the Italian savings bank, launched a C$150m (US$132.2m) six-year issue for its London branch. Cariplo yesterday announced a co-operation agreement with TSB Group, the UK banking group. The funding is not connected with the alliance. The 8¾ per cent bonds were priced to yield 74 basis points more than five-year benchmark Canadian government bond – the comparison favoured by the lead manager. The bonds yield 63 basis points more than the level where a six-year benchmark would trade. The deal, lead managed by Goldman Sachs, was held at the fixed re-offer price of 99.56 through-out the day.

The European Investment Bank was said to be looking for long-dated dollar funding this week. Leading firms were yesterday competing for the mandate, with the market expecting a 10-year Eurodollar deal, probably handled as a block trade by a small group of underwriters.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
CANADIAN DOLLARS						
Cariplo (London branch)(a)†	150	8¾	101.085	1997	1⅞/1.525	Goldman Sachs
FRENCH FRANCS						
Credit Lyonnais(a)†	1bn	9½	99.32	1996	0.275/0.15	Credit Lyonnais
Credisuez(b)†	500	9.2	98.56	2000	35bp	Societe Generale
Banque Paribas(c)†	500	9½	99.70	1999	(c)	Paribas Capital Mkts.
YEN						
Tokyo Electric Power(a)†	70bn	6	99.80	1996	0.25/0.15	Nomura Int.
Japan Airport Terminal(a)†	15bn	6.4	101½	1999	1⅞/1.525	Yamaichi Int.
US DOLLARS						
Forte(d)†	175	7⅞	101.275	1996	1⅞/⅜	JP Morgan Secs.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Investors have option of re-investing coupon payments in new bonds. c) Fungible with existing FFr1bn deal. Selling concession fee - 0.15%, no Management & Underwriting fee. d) Amount increased from $150m. Non-callable.

Cheil Foods plans $30m issue

By John Ridding in Seoul

CHEIL Foods & Chemicals, one of South Korea's largest food companies, will issue $30m of convertible bonds on the Euromarket to finance the expansion of a joint venture factory in Indonesia and capital equipment purchases.

The issue, the 15th Korean convertible bond this year, comes one month before the Seoul stock market opens to foreign investors. The impending opening of the stock market, combined with its poor performance, has prompted a steady decline in premiums on existing Euromarket issues.

Cheil, part of Samsung Group, Korea's largest conglomerate, is forecasting pre-tax profits of Won17bn ($22m) for 1991, double the Won8.25bn of last year. Sales are forecast to grow to Won1,050bn.

"By the year 2000, we expect that pharmaceuticals will account for 20 per cent of sales and household goods, such as detergents, will represent about 13 per cent," said Mr David Shim, general manager in the company's planning department.

Construction of facilities for the planned diversification will bring high financing expenditure. The costs of building a factory to produce household goods and a plant to manufacture intravenous solutions will be largely taken next year and are expected to reduce 1992 pre-tax profits to Won15bn. After that, forecasts, Mr Shim, stronger profit performance is expected. He predicts pre-tax profits of Won24bn in 1993.

Mr John Wisniewski of Merrill Lynch, which is lead-managing the issue with Hanshin Securities, believes there is still demand for Korean Euromarket issues. "Because the opening of the market is limited there will be problems of liquidity in underlying shares."

First City Trustco restructuring plan

By Robert Gibbens in Montreal

FIRST City Trustco will ask its Swiss bondholders to accept a combination of cash and new bonds as part of a broad restructuring of the financial services group, part of the Belzberg family empire.

Heavy losses by the parent First City Financial, the main holding company of the Belzberg brothers of Vancouver, have put the operating subsidiaries in breach of their loan covenants.

First City Trustco will meet its Swiss bondholders in Geneva on December 11.

If they approve, bondholders will get SFr1,000 cash and a new C$1,000 eight-year 4 per cent subordinated bond for each outstanding SFr4,000 of 7.5 per cent subordinated convertible bonds.

The old bonds outstanding total $7.5m.

First City Financial, renamed Harrowston in the restructuring, has struck a deal with Swiss holders of $248m of its own bonds. They receive Harrowston stock and notes.

First City US is negotiating with US holders of $124m of outstanding debt.

World Bank gets back to business with Salomon

By Karen Zagor in New York

SALOMON Brothers, the scandal-hit Wall Street securities house, yesterday said it was resuming business with the World Bank after a three-month suspension.

The bank halted its dealings with Salomon after the securities house admitted in August to rigging government bond and note auctions. The World Bank is one of the world's biggest bond players.

Salomon is waiting to see if the New York Fed will allow it to retain its status as a primary dealer in government securities. Its status has been under review since August.

Salomon lost several clients following its illegal activities. It has been one of the bank's biggest underwriters in US dollar issues.

The firm has reshaped its senior management and improved its internal controls following the scandal in an attempt to restore its image.

In October, Salomon said it would take a $200m third-quarter charge to cover potential costs from government fines and lawsuits.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday December 2 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Nov 29 Index No.	Thu Nov 28 Index No.	Wed Nov 27 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (180)	736.96	-1.2	9.40	6.61	13.55	33.34	745.80	755.41	758.22	726.02
2	Building Materials (23)	868.83	-2.1	8.56	7.17	15.41	41.75	887.81	902.33	914.04	990.02
3	Contracting, Construction (30)	931.98	-2.3	8.55	7.86	16.70	51.30	953.43	999.99	1005.62	1157.42
4	Electricals (10)	2318.52	-1.8	10.40	6.37	12.24	98.23	2360.03	2384.22	2390.93	1893.87
5	Electronics (25)	1622.34	-0.9	11.43	5.88	11.12	52.97	1637.59	1639.45	1638.95	1585.64
6	Engineering-Aerospace (8)	322.71	-0.5	17.37	8.04	6.95	18.52	324.25	325.45	323.41	389.63
7	Engineering-General (43)	451.40	-0.4	10.79	5.54	11.42	17.78	453.37	458.41	459.41	362.44
8	Metals and Metal Forming (9)	310.87	-0.6	2.11	11.32	-	25.21	312.59	315.77	317.09	408.54
9	Motors (12)	289.98	-0.2	8.93	8.30	14.87	17.56	290.67	300.36	302.28	288.13
10	Other Industrial Materials (20)	1493.20	-1.1	8.05	5.49	14.76	58.79	1510.14	1520.07	1522.54	1261.16
21	CONSUMER GROUP (190)	1522.63	......	7.59	3.69	16.30	38.15	1523.04	1522.43	1533.59	1213.54
22	Brewers and Distillers (23)	1854.76	-0.3	8.39	3.65	14.50	39.79	1860.36	1860.12	1877.66	1529.40
25	Food Manufacturing (19)	1175.35	-0.7	9.78	4.30	12.63	33.08	1183.51	1179.20	1184.47	1009.67
26	Food Retailing (17)	2384.33	-0.7	9.72	3.47	13.36	58.56	2400.89	2345.16	2342.04	2261.23
27	Health and Household (23)	3952.83	+1.1	5.21	2.44	22.06	72.62	3911.45	3897.63	3935.89	2487.75
29	Hotels and Leisure (24)	1259.32	-0.2	8.10	5.62	15.28	45.61	1262.41	1287.91	1296.55	1227.01
30	Media (25)	1420.03	-1.1	7.32	5.01	17.92	47.66	1435.11	1440.48	1435.80	0.00
31	Packaging, Paper & Printing (17)	735.89	-0.5	7.34	4.52	16.52	24.43	739.91	741.77	738.36	517.18
34	Stores (32)	964.11	+0.2	7.79	3.85	16.85	26.74	962.31	971.53	988.03	811.76
35	Textiles (10)	593.19	-1.3	7.79	5.23	16.37	21.18	601.25	610.48	615.00	424.93
40	OTHER GROUPS (111)	1185.69	-0.6	10.07	5.53	12.53	38.39	1193.22	1198.04	1200.49	1008.09
41	Business Services (12)	1368.72	-0.1	7.26	4.77	17.48	46.93	1369.77	1373.62	1385.64	0.00
42	Chemicals (21)	1379.77	-0.5	7.22	5.32	17.21	54.15	1386.06	1381.36	1384.76	1058.40
43	Conglomerates (11)	1360.67	-1.0	10.62	7.70	11.42	38.95	1374.35	1371.25	1399.83	1299.51
44	Transport (14)	2194.10	-2.1	5.81	5.14	22.70	79.12	2240.98	2279.63	2291.94	1852.83
45	Electricity (16)	1152.60	......	15.16	5.69	8.58	27.53	1152.41	1158.08	1167.66	0.00
46	Telephone Networks(4)	1425.05	-0.6	11.01	4.40	11.86	28.34	1433.42	1445.07	1422.19	1176.00
47	Water(10)	2209.55	-0.6	19.05	7.12	5.79	131.43	2222.08	2222.02	2240.53	2154.36
48	Miscellaneous (23)	1743.90	-0.3	5.75	5.68	23.92	73.58	1749.80	1752.94	1764.18	1552.89
49	INDUSTRIAL GROUP (481)	1218.28	-0.4	8.71	4.79	14.38	37.70	1223.48	1227.62	1233.75	1032.62
51	Oil & Gas (19)	2234.35	+0.5	11.56	6.28	11.44	104.27	2224.23	2244.52	2269.10	2363.74
59	500 SHARE INDEX (500)	1306.43	-0.3	9.04	4.97	13.97	42.97	1310.63	1315.94	1323.45	1141.66
61	FINANCIAL GROUP (91)	716.48	-0.4	-	6.50	-	33.01	719.50	726.33	737.52	726.30
62	Banks (9)	830.09	-0.7	4.80	6.40	40.82	37.46	836.08	839.16	857.88	767.89
65	Insurance (Life) (7)	1425.21	-0.7	-	5.94	-	63.68	1435.04	1451.66	1456.25	1326.78
66	Insurance (Composite) (7)	504.77	+0.4	-	8.64	-	32.94	502.77	514.08	531.58	641.09
67	Insurance (Brokers) (10)	993.29	-0.3	8.23	6.74	16.00	49.14	996.02	987.51	989.49	1002.50
68	Merchant Banks (7)	468.10	-0.2	-	4.60	-	14.84	468.97	469.12	471.22	357.00
69	Property (35)	845.96	-0.3	5.94	5.55	24.49	28.81	848.52	866.49	867.83	979.64
70	Other Financial (16)	236.56	-0.2	11.19	7.34	11.24	11.85	237.07	238.26	238.88	248.47
71	Investment Trusts (70)	1125.89	-1.2	-	3.84	-	30.42	1139.93	1150.32	1167.28	1011.35
99	ALL-SHARE INDEX (661)	1164.78	-0.4	-	5.13	-	40.06	1168.95	1174.63	1183.03	1038.80

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Year ago
FT-SE 100 SHARE INDEX‡	2414.9	-5.3	2414.9	2387.7	2420.2	2428.6	2447.5	2471.5	2456.2	2162.7

FIXED INTEREST

	PRICE INDICES	Mon Dec 2	Day's change %	Fri Nov 29	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.94	-0.02	121.96	2.34	10.75
2	5-15 years (27)	133.91	-0.18	134.14	2.90	11.84
3	Over 15 years (8)	142.04	-0.20	142.33	2.78	11.50
4	Irredeemables (6)	155.26	-0.06	155.60	1.07	13.68
5	All stocks (69)	132.44	-0.12	132.60	2.71	11.60
	Index-Linked					
6	Up to 5 years (2)	167.17	-0.09	167.32	0.63	3.16
7	Over 5 years (9)	148.30	-0.37	148.86	1.17	3.83
8	All stocks (11)	149.78	-0.33	150.27	1.08	3.81
9	Debs & Loans (61)	111.51	-0.07	111.59	1.54	10.59

	AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 2	Fri Nov 29	Year ago (approx.)
	British Government				
1	Low	5 years	8.89	8.85	9.52
2	Coupons	15 years	9.62	9.60	10.22
3	(0%-7¾%)	20 years	9.62	9.60	10.27
4	Medium	5 years	9.97	9.94	10.88
5	Coupons	15 years	9.78	9.75	10.62
6	(8%-10¾%)	20 years	9.72	9.69	10.55
7	High	5 years	10.19	10.16	11.02
8	Coupons	15 years	9.88	9.84	10.82
9	(11%-)	20 years	9.78	9.75	10.75
10	Irredeemables	†	9.80	9.79	10.49
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.90	3.87	3.86
12	Inflation rate 5%	Over 5 yrs.	4.33	4.30	4.18
13	Inflation rate 10%	Up to 5 yrs.	3.27	3.24	2.60
14	Inflation rate 10%	Over 5 yrs.	4.15	4.12	4.00
15	Debs &	5 years	11.51	11.47	12.62
16	Loans	15 years	11.33	11.30	12.42
17		25 years	11.15	11.12	12.22

‡Opening index 2412.4; 9 am 2396.0; 10 am 2390.9; 11 am 2392.7; Noon 2395.0; 1 pm 2397.7; 2 pm 2400.1; 2.30 pm 2398.0; 3 pm 2396.6; 4.10 pm 2408.8; (a) 4.29pm (b) 9.12am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES: ADDITIONS: Burn Stewart Distillers (22), Domestic & General Group (66), Housing Finance Corp 11.5% Debenture 2016; DELETIONS: National Home Loans (70), TVS Entertainment

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	69	12
Other Fixed Interest	2	7	10
Commercial, Industrial	87	544	865
Financial & Property	39	323	413
Oil & Gas	11	22	58
Plantations	1	1	8
Mines	26	50	76
Others	16	77	51
Totals	183	1,093	1,493

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
100p	Nil	12/12	12½pm	¼pm	Attwoods	1½pm	
120	Nil	5/12	23pm	9pm	Brent Chemicals 10p	9pm	-1
42	Nil	17/12	2pm	¼pm	¶Corporate Services 40p	¼pm	
10	Nil	6/12	1½pm	¼pm	Lowe (Robert H) 1p	¼pm	-½
88	Nil	7/12	10pm	3pm	Molynx 20p	3pm	-1
215	Nil	20/12	38pm	31pm	Moore O'Ferrall 10p	37pm	
230	Nil	-	26pm	20pm	Morrison (W) Supermkts	20pm	
7½	Nil	17/12	3pm	1¼pm	Ross Group 5p	1¼pm	-¼
282	Nil	23/12	45pm	30pm	Stags Food 5p	30pm	
150	Nil	16/12	1½pm	1½pm	St. Davids Inv Inc	1½pm	
40	Nil	16/12	14pm	12½pm	TLP Europe 5p	13pm	
5	Nil	-	1½pm	¼pm	¶Union Square 1p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Unregulated collective investment scheme. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Dec. 2
- Last Dealings Dec. 14
- Last Declarations March 5
- For settlement March 16

For rate indications see end of London Share Service

Calls in Amstrad, Brent Walker, Budgens, Cabra Ests., Costain, Dowty, Globe Petlm., J. Heggas, Hunterprint, Johnson Matthey, Oceonics, Ratners, Sleetley and Tullow Res. Puts in Brent Walker, CALA, Dixons, Forte, Ibstock Johnsen, Ladbroke, Ratners, Readymix and J. Wilkes. Puts and calls in Ratners and Tarmac.

LONDON TRADED OPTIONS

Option	Calls	Puts
[illegible]	[illegible]	[illegible]

December 2 Total Contracts 38,250
Calls 9,800 Puts 28,450
FT-SE Index Calls 2,360 Puts 17,087
Euro FT-SE Calls 1,965 Puts 4,925
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

	p		p		p		p		p
■ INDUSTRIALS	p	Charter Cons.	42	ICI	95	Reed Intl	35	MEPC	42
Allied-Lyons	50	Comm Union	40	Ladbroke	21	Sears	8½	Mountleigh	4
Amstrad	8	Courtaulds	38	Legal & Gen	33	SmKl Bchm A	63	■ OILS	
Astec (BSR)	5	Eurotunnel	60	Lex Service	16	TI	39	Aviva Pet	3
BAT Inds	53	FKI	5	Lloyds Bank	30	TSB	11	BP	28
BOC	48	FNFC	10	Lonrho	20	Tesco	21	Burmah Castrol	47
BTR	33	Forte	21	Lucas Inds	12	Thorn EMI	65	Conroy Pet	8
Barclays	34	GKN	28	Marks Spencer	21	T & N	14	Gaelic Res	1
Blue Circle	20	Gen Accident	43	Midland Bank	20	Unilever	60	Premier Cons	4
Boots	33	GEC	16	NatWest Bank	26	Vickers	16	Shell	40
Bowater	55	Glaxo	110	P & O Dfd	41	Wellcome	60	Tuskar Res	1
Brit Aerospace	35	Grand Met	67	Racal Elect	6	■ PROPERTY		Ultramar	20
British Steel	10	GRE	14	RHM	23	Brit Land	27	■ MINES	
Brit Telecom	33	Hanson	17	Rank Org	56	Control Sec.	2	RTZ	46
Cadburys	35	Hawker Sidd	55	Ratners	12	Land Sec.	41		

UK COMPANY NEWS

M&G up 10% to £39m but unit trust sales disappoint

By Norma Cohen, Investments Correspondent

M&G GROUP, the fund management concern, yesterday announced a 10 per cent rise to £39.2m in pre-tax profits for the year to September 30, despite "disappointing" sales of its key unit trust and life assurance products.

In explaining the improved profits in light of difficult conditions, Sir David Money-Coutts, chairman, said that success in cutting costs while at the same time bolstering M&G's personal equity plans business had offset the effects of diminished business in other sectors.

The success of M&G's Income Investment Trust, which raised a record £246m, was not reflected in the latest figures because sales occurred after the close of the fiscal year.

However, M&G's PEP business produced a small profit and is likely to become increasingly profitable as funds under management increase.

Sir David said that M&G may launch a similar PEP after the government's next budget is announced, provided the government maintains the loophole which allowed individuals to invest their entire PEP in a newly created collective investment scheme.

Total funds under management rose from £6.72bn to £8.85bn roughly reflecting the rise in UK equities prices, contributing to a rise in fee income.

Ashley Ashwood

Sir David Money-Coutts (left) and Paddy Linaker: unit trust business remains "tough going"

M&G has succeeded in cutting its marketing and commissions expenditure by nearly 10 per cent, partly because the reduced sales of unit trust and life assurance products reduced commission expense and marketing expenditure. The company also eliminated overtime payments for employees and cut depreciation expenses.

Mr Paddy Linaker, managing director, said that M&G was seeking to build its institutional business, largely that of managing pension fund monies. Institutional business was now the fastest growing part of M&G's business, with funds under management rising to from £1.68bn to £2.53bn.

However, the unit trust business remains "tough going". "We had thought this year would be a good one for unit trusts. It wasn't, but we think there will be one eventually," he said. However, since the stock market crash of 1987, M&G has raised its market share of unit trust business.

The final dividend is 10.75p, increasing the total for the year to 19p (17p). Earnings per share were 36.1p (32.08p).

Response to BT share offer said to be hefty

By Hugo Dixon

THE GOVERNMENT had received 650,000 applications from small investors for shares in its £6bn British Telecommunications sale by yesterday evening. The response was described as hefty for this stage of the process.

The average size of applications, at 475 shares, was also said to be high. The deadline for small investors is tomorrow morning, with institutions having until Friday evening.

Investors stand to make an immediate profit of 25p per share if the price being quoted in the "grey" market holds. IG Index, the financial bookmaker, was quoting 135p to sell and 137p to buy partly-paid BT shares yesterday evening, against the 110p which small investors have to pay as their first instalment. The price, however, had fallen from the opening 137p-139p level.

Institutions have to pay an initial 125p.

The reason for the premium is that the government is expected to sell the shares at a price which does not fully take into account the value, thought to be about 20p, of deferring payments over three instalments.

The high level of demand from small investors means they will probably be allocated two thirds of the offer with one third going to institutions.

We're all goin' on a summer holiday

Jane Fuller on the reviving package tours market since ILG's demise

ONE OF the very few pleasant surprises for leisure analysts in a generally depressing year has been the way the package holiday market has held up.

After falling from 12m to 10m holidays between 1988 and 1990, it was feared the recession would scythe a further 10 per cent off the package tours market in the past year. But the latest estimates indicate that volume is down by less than 5 per cent, while prices have risen by up to 9 per cent.

One explanation offered by Mr Bruce Jones at Smith New Court is "the sod it factor". The holidaymaker says: "We've had a miserable 50 weeks, let's have two weeks in the sun."

The tightness in consumer spending has, however, been in evidence once the tourists arrive.

"If you look at self-catering in Spain or Greece, last year they ate in two nights a week and went out five times, this year it has been the reverse. But that is not bad news for Thomson, Owners Abroad or Airtours," says Mr Jones.

Mr David Crossland, chairman of Airtours, says that the 9.5m holidays sold in the past year represent a "bedrock of customers who are in work and confident of keeping their jobs".

Bearing in mind that the period coincided with the depths of the recession and 15 per cent interest rates, he said that disposable income would be significantly higher next year. "The average person will have £1,000 to £1,200 more to spend next year, excluding pay rises, because of mortgage rates coming down."

David Crossland: five years of price wars are over

He estimated that there would be 10 to 15 per cent growth in the winter holiday market, and 5 to 10 per cent next summer. This would take the total over 10m again.

Profitability was obviously helped this year by the collapse in March of the International Leisure Group. Its Intasun business used to be second in the market, behind Thomson, and carried about 1.5m people.

Both Mr Crossland and Mr Howard Klein, chairman of Owners Abroad, said the capacity and price wars which characterised the five years to 1990 were over. Supply and demand had come back into balance.

Profitability, rather than chasing market share, was now a priority with the three biggest companies, which between them command 70 per cent of the market.

An estimate of the breakdown is Thomson 35 per cent, Owners 19 per cent, Airtours 16 per cent.

Apart from the need to show a decent return to shareholders, Mr Klein said that low profits had made it more difficult to provide a quality product and customers had reacted against this. He saw prices rising ahead of inflation to reflect the renewed emphasis on quality.

Mr Peter Hilliar, leisure analyst at Barclays de Zoete Wedd, Airtours' broker, said the new period of improved margins looked as though it would stick "as long as Thomson has as much market share as the other two put together".

He is forecasting a 27 per cent rise in Airtours' pre-tax profit this year to £35m, which gives a prospective multiple of nearly 9 on yesterday's closing price of 905p.

In addition to the resumed growth in the market, he said Airtours should extend its presence in the south of England, using Gatwick as a platform. The Lancashire-based company first built up its business in the north.

He also pointed out that the first part of 1990-91 had not been easy, with the Gulf war and start-up costs for the airline.

The cash pile this year was not expected to fall below £80m, so interest income could nearly double.

One target for the cash could be a skiing holiday business. Last winter negotiations fell through to acquire Neilson from Granada.

● Owners Abroad – which has a basket of brands including Falcon, Martyn, Enterprise and Sovereign, as well as the Air 2000 airline and seat wholesaling – is due to announce its results for the year to October 31 next February. Redwing will be in for a full year instead of six months.

UBS Phillips & Drew, Owners' broker, is forecasting a doubling of pre-tax profit to £30m and earnings per share of 12.1p, giving an estimated historic multiple of 9.7 on yesterday's closing share price of 117p.

Oriflame expands in Sweden

By Michiyo Nakamoto

ORIFLAME International, the direct sales cosmetics group based in Brussels, is acquiring the Aco skin care and cosmetic product lines from Kabi Pharmacia of Sweden for a maximum £11.5m.

The acquisition of Aco, which saw sales of about £10m last year from 10m retail outlets in Sweden, will strengthen Oriflame's presence in that market, the group said. Oriflame, which started in Sweden, already makes about 20 per cent of group sales there.

Oriflame will also be branching out from its traditional marketing structure, which involves sales agents selling through catalogues, into selling through pharmacies.

The payment for the acquisition will be through an initial consideration of about SKr100m (£9.6m) and a sales related additional payment over 5 years amounting to an estimated SKr20m. Aco has net assets of SKr35m.

Oriflame also announced lower pre-tax profits for the six months to September 30. Taxable profits slumped to £2.34m (£3.72m) on higher turnover of £26.4m (£24m).

Investment income was also slashed to £682,000 from a previously substantial £1.9m, due to lower interest rates and cash balances, but there were no exceptional items in the first half of this year compared with a £1.5m exceptional charge before.

Earnings per share were up to 4.1p (3.6p) and the interim dividend is maintained at 4p.

The company said that Oresa, its eastern European holding company founded last year, has established 100 per cent owned subsidiaries in Czechoslovakia, Poland and Hungary.

It has sold its rights to the Far Eastern markets of Indonesia, Malaysia and the Philippines, which incurred a loss of £400,000 in the first half, to Oresa for a net equity value of £325,000.

The agreement includes a licensee agreement and an option for Oriflame to buy back the markets after five years.

Merchant bank launches bid for Sterling Trust

By David Barchard

Robert Fraser, the privately owned merchant bank, is to launch a bid for Sterling Trust, the retail banking and second mortgage lender formerly known as Dewey Warren Holdings.

Fraser's bid, which is being made under rule nine of the Takeover Code, is pitched at 41p per share and follows the bank's recent purchase of 21.04 per cent in Sterling, taking its total stake to 50.5 per cent.

At the end of 1990, Sterling had an asset value per share of about 120p and its shares were trading at 55p yesterday afternoon.

Sterling yesterday said that the offer represented a discount of over 27 per cent to the average price of its shares on November 29. It recommended shareholders to take no action but said that it would be writing to them.

A decision on the offer will rest with Sterling's three non-executive directors.

Franchisees seek meeting with Alan Paul

By Peggy Hollinger

DISGRUNTLED franchisees in Alan Paul, the USM-quoted hairdressing chain which had its shares suspended last month, are calling for an urgent meeting with the company's board and bankers to discuss the group's financial position.

The shares were suspended pending the outcome of a financial review by accountants Coopers & Lybrand Deloitte. Mr Arthur Fabricant, the chairman who took over three weeks ago, said the review was expected to be published by the end of this week. He did not expect to meet with the franchisees until the review was complete.

Franchisees have formed a pressure group to lobby the company for information. Mr Edward Goldsmith, a solicitor with the Goldsmith Williams law firm in Liverpool and chairman of the franchisees' association, said they were unhappy with the lack of financial details available.

Franchisees also claim their business accounts were mismanaged and that they have been left in the dark regarding the state of their own businesses.

"We want to be advised about what is happening within the company at the moment and find short-term solutions to the problems many franchisees face," Mr Goldsmith said. He added that the franchisees' association was considering the implications of taking legal action, although franchisees were anxious to "take a positive approach".

The association has requested a meeting with Mr Fabricant, who succeeded the former non-executive chairman, Mr Brian Solomon. Mr Solomon, who called in Coopers, quit after just three weeks in the post, following his own informal financial review.

The franchisees' complaints stem from the way in which franchises were managed – especially the hairdressing operations. In the salons, invoices, wages, rent, and taxes were paid from a joint account with the franchisee, an accountant commissioned by head office and to manage the finances, and the franchisor. Mr Moshe Gerstenhaber, vice chairman of the British Franchise Association, said that this method was unusual in retailing franchises.

Alan Paul operates three lines of franchises: The Body and Face Place, the loss-making beauty products retailer; Blue Berry's Brasserie; and the Alan Paul hairdressing salons, which is the largest with about 180 franchisees.

Mr Anthony Lyons, a solicitor representing several hairdressing franchisees, said one of his clients had returned from holiday to discover his business account had been transferred to another bank. The franchisee was denied access to this account and is now in severe financial difficulties.

Another Alan Paul franchisee has been declared bankrupt after bills, which were to have been satisfied by the independent accountant, were alleged not to have been paid.

The franchisee claims he did not know which bills had been paid and which had not, due to the way in which the franchises were run.

Mr Fabricant said last night that the company had provided what amounted to £1.7m in interest-free loans to Alan Paul franchisees. More than half of the franchisees owed money to the company, he said.

The group's shares were suspended, at its request, at 20p on November 8 and two directors, Mr Alan Moss and Mr Michael Rowland, were suspended from their duties. Alan Paul was floated on the USM at 140p per share in 1989.

Interest charges hit Graham Wood

By Peggy Hollinger

SHARPLY HIGHER interest charges pushed Graham Wood, the structural engineer which is involved in the construction of Euro-Disneyland, into the red for the six months to end-September.

The pre-tax loss was £255,000 compared with a profit of £607,000 last time.

Failure to achieve "significant property disposals" and delayed payments from customers had increased borrowing costs, the company said.

Interest charges rose from £352,000 to £626,000.

Fully diluted losses per share were 5.8p, compared with earnings of 10.8p last time.

Trading conditions had been "extremely depressed" and, as a result, the interim dividend is passed (3p).

Turnover fell from £24.3m to £22.1m although the new European subsidiary contributed £855,000.

The specialist professional services activities had enjoyed some rise in sales.

"Any uplift of activities is expected to take place in Europe or through the professional service companies," the company said.

Allied Colloids' $20.8m purchase

Allied Colloids, the industrial chemicals company, is buying almost all of Hydrolabs, the US textiles chemicals company, for a total of $20.8m (£11.7m). The deal, conditional on environmental investigations, is expected to be completed early next year.

Colloids is paying $18.5m in cash and assuming borrowings of about $2.3m. Mr David Farrar, president of Colloid's North American activities, said the purchase would significantly expand the company's presence in that area.

In 1990 Hydrolabs reported profits of $1.2m on sales of $10.1m. Net assets at the year end were $4.1m.

Tiphook signs up Mercedes Benz

Tiphook, the trailer and container lessor, has signed up Mercedes Benz as an agent for its contract hire and longer term trailer rentals in Germany.

Mercedes' contract hire network, coupled with Tiphook's existing 16 locations, will give Tiphook full coverage of the German market. The companies are investigating similar links in the UK, France, Belgium and the Netherlands.

Headlam pulls out of flooring deal

By Andrew Bolger

HEADLAM, the footwear and fabrics group, will not proceed with its planned purchase of the loss-making Hickson Flooring Distributors from Hickson International, the Yorkshire-based chemicals group.

Shares in Headlam were suspended on September 3 when it announced it was taking day-to-day control of HFD and planned to pay up to £10.6m for the floor-covering distributor, which would have nearely tripled its market value.

Mr Graham Waldron, Headlam chairman, said yesterday the parties had been unable to agree terms but he still hoped to buy part of HFD by the end of the year.

However, Mr Ken Schofield, chief executive of Hickson international, said he understood Headlam would have needed a rights issue to fund the acquisition and, having sounded out main shareholders, it decided this was not an appropriate time to proceed.

Headlam's listing was restored yesterday afternoon and the shares closed 10p lower at 53p. Hickson International shares shed 7p to 170p.

Mr Schofield said a new team had been appointed to manage HFD. He now intended to dispose of the business in parts and was confident that Hickson would obtain roughly the same amount – £8.5m – which had been the latest purchase figure agreed with Headlam. Last year HFD incurred an operating loss of £1.1m on sales of £39.9m.

Embassy waits on injection of new capital

By Vanessa Houlder, Property Correspondent

Embassy Property, a USM-quoted developer and investor, yesterday told the Stock Exchange that it had reached agreement in principle with its bankers on a refinancing package but that it was dependent on an injection of new capital.

"Discussions to date have resulted in agreement in principle being reached with the company's bankers, subject to contract, which will only be concluded in conjunction with the company raising additional equity capital."

It said that when its negotiations with potential key investors were complete, details would be sent to shareholders along with the accounts for the year to March 1991.

Mr Roger Holbeche, chairman, said: "I am hopeful that an agreement will be announced shortly. The delay is merely due to the complexity of the negotiations".

The share price of the company, which has debts of £26.6m, was unchanged at 9p.

Modest decline at Aberfoyle

Aberfoyle Holdings, the troubled agriculture and security products group operating in Zimbabwe but listed in London, yesterday belatedly released its interim results.

Pre-tax profits for the six months to end-June fell from £574,000 to £552,000, though earnings per share rose from 0.29p to 0.47p. Turnover rose to £4.46m (£4.32m).

The company said reorganisation of its Zimbabwe operations had reduced the tax charge from £274,000 to £133,000. Extraordinary items amounted to £49,000 (£169,000).

Aberfoyle, where dissident shareholders last month won a two-and-a-half year battle for control said it was initiating a review of its operations which is to be carried out by Arthur Anderson, the auditors.

COMPANY NEWS IN BRIEF

BRITISH GAS has confirmed previous reports of the sale of its 10 per cent stake in Catalana de Gas, Spain's largest gas distribution company. Some 8 per cent went to Repsol, the Spanish state-owned oil and gas company, for Pta14.69bn (£80.7m) and the rest to la Caixa, the Barcelona bank.

BROWN (N) Group is issuing 500,000 new ordinary shares at 278p each to raise about £1.4m to finance the acquisition of Odhams Leisure Group.

COMMERCIAL UNION has acquired, through its Quilter Goodison subsidiary, the business and assets of Allied Provincial Stockbrokers (CI). Consideration amounted to less than 1 per cent of CU's net assets.

ENGLISH TRUST Group: Trio Investment Trust shareholders representing 94.2 per cent of the equity, tendered their shares in response to ET's tender offer to acquire 29.9 per cent of the Trio capital. All tenders will be scaled down by some 68.15 per cent with fractions being ignored.

FLEMING FAR Eastern Investment Trust: For six months ended September 30 1991 gross revenue £5.52m (£4.23m) and earnings per share 1.09p (1p). Single only dividend this year (interim 0.2p and final 1.8p). Net asset value 229.8p at September 30, since risen to 231.9p.

GREENACRE GROUP is to acquire a site at Trowbridge, Wiltshire, which has planning permission for the development of a 60 bed nursing home. The total development cost of £1.8m, including the land, will be funded from existing resources.

MONARCH RESOURCES: date for agreement with Cyprus Gold on feasibility study being prepared for mine development has been extended. Final feasibility study expected to be completed in early December and the decision whether to proceed with the project, and commit to funding, will be made by December 17.

PROTEUS INTERNATIONAL is proposing to raise £1.23m net via the issue of 895,000 new ordinary 2p shares at 140p apiece. The new shares have been conditionally placed with institutional investors by Allied Provincial Securities.

SALE TILNEY's UK banking syndicate has confirmed that the group's UK banking facilities will be extended for 12 months. Terms and conditions are substantially the same.

STEEL BURRILL JONES Group has acquired a 45 per cent interest in ISU (Europe) for a nominal consideration. ISU was recently formed by International Specialist Underwriters (Consultants), an Australian underwriting agency.

BOARD MEETINGS

TODAY

Interims- Creightons Naturally, Evans of Leeds, Greene King, Hunter Saphir, Mid-Southern Water, Northern Investors, Seeboard, Sytlone.

Finals- Archimedes Inv Trust, Bass, Cahill May Roberts, Eldridge Pope, Leeds, Trafalgar House.

FUTURE DATES

Interims-	
Assoc British Eng	Dec. 10
Avesco	Dec. 6
Brasway	Dec. 17
Firstland Oil & Gas	Dec. 12
Fleming Intl High Inc	Dec. 4
Fuller Smith & Turner	Dec. 11
Gibbs Mew	Dec. 19
Great Universal Stores	Dec. 5
Greycoat	Dec. 5
Marina Dev	Dec. 6
Multitone Electronics	Dec. 10
Premier Group	Dec. 5
Total Systems	Dec. 10
UMECO	Dec. 6
Wardell Roberts	Dec. 11
Finals-	
Albion	Dec. 11
Amer	Apr. 29
Ashley Group	Dec. 10
Automagic	Dec. 11
Bartsford Intl	Dec. 17
Carlton Comms	Dec. 10
Devenish (JA)	Dec. 10
Hunterprint	Dec. 9
Lovell (YJ)	Dec. 18
Regina Health & Beauty	Dec. 5
Rosehaugh	Dec. 6
TSB	Jan. 16
Wharfedale	Dec. 5

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acal ....int	1.95	Feb 1	1.8	-	5.4
Airtours ....fin	21†	Feb 18	6.64	23	8.12
Cambridge Water ....int	45	Dec 16	-	-	-
C'bell/Armstrong ....int	1	Jan 31	1	-	2
Control Tech ....fin	4.35†	-	4.35	6.5†	6.5
Dares Estates ....int	nil	-	0.25		0.25
Dobson Park Inds ....fin	3.85	Mar 2	3.85	5.75	5.75
Faber Prest ....fin	4.3	Jan 24	7.7	8.6	12
Graham Wood ....int	nil	-	3	-	5.5
Harrison Inds ....int	1.25	Jan 31	2	-	3.25
Jarvis Porter ....int	1.4†	Jan 17	1.4	-	4.2
M&G Group ....fin	10.75	Jan 16	9.5	19	17
Oriflame Intl ....int	4	Feb 20	4	-	12
Thwaites (Dan) ‡ ....int	0.4	Jan 6	0.4	-	2.8
United Drug § ....fin	4.4♣	-	4	6.25	5.75
Vistec ....int	0.1	Jan 13	nil	-	0.2

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Rule 535(2). ♣Irish currency.

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UK COMPANY NEWS

The public poker face hiding the private complexities

Bronwen Maddox and Richard Gourlay investigate the delicate relationships between Robert Maxwell and his City advisers

IF SHAREHOLDERS of Maxwell Communication Corporation have suffered most since Mr Robert Maxwell's death, the commercial bankers who lent so much to his private and public companies have had almost as painful a time.

Bankers were again in crisis meetings yesterday as shares of MCC and Mirror Group Newspapers, the other Maxwell-controlled public company, were suspended for the second time.

But commercial bankers are not the only people affected by the turmoil. What has happened since Mr Maxwell's death raises a number of questions about the roles of the Maxwell empire's advisers.

These advisers, some of the most blue-chip City and Wall Street institutions, received millions of pounds in fees. In putting their names to MCC and MGN's accounts and share offerings, did accountants and stockbrokers appear to endorse the Maxwell empire in a way they would later come to regret? Did they have, or seek, adequate information on which to base the use of their names?

The critical moment in Mr Robert Maxwell's relations with MCC shareholders came in November 1988, the point when the empire's debt began to soar. In one week MCC spent $3.3bn in an abrupt change of strategy, buying Macmillan, the US publisher and Official Airlines Guide and committing to sell the printing businesses built up over a decade.

Analysts have said that until this point, analysing MCC offered a reasonable return on the time invested. But afterwards the complexity of the group structure began to make it frustrating and unrewarding.

The public face of MCC was, to a large extent, constructed from the annual accounts approved by the board and audited by Coopers & Lybrand Deloitte. But according to institutions, the three sets of accounts to March 1989, 1990 and 1991, did not present a clear picture.

Despite extending its accounting period by three months to to the end of March 1989, MCC did not consolidate its $3.3bn of acquisitions in the audited figures for 15 months to that date.

The purchases were so much bigger than MCC that they had to be held off-balance sheet in an accountancy no-man's land until the second half of 1989 when disposals had reduced the debt.

The profits of the new companies were not added to MCC's existing profits, nor were the costs of financing the purchases and the debt consolidated with its profits and net assets.

While this complied with UK accounting standards, it meant that until 20 months after the acquisitions, with the publication of the March 1990 accounts, shareholders had no detailed financial information on the newly-acquired companies' trading. Nor could they see the full impact of financing the deals on the group's earnings.

The March 1990 accounts, which did finally consolidate the new companies, showed a company in the throes of change, bearing little relation to previous years. They were "nightmarish" to analyse, according to one institution.

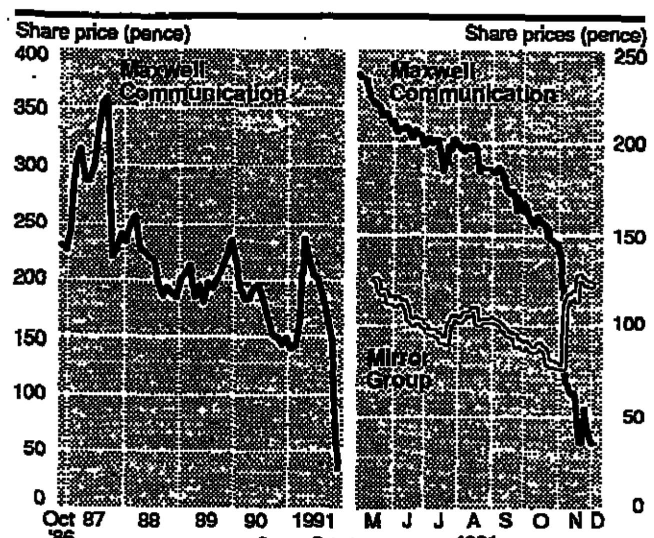
The headline pre-tax profit figure was increased because the accounts took some £19m of one-off profits on the sale of publishing businesses above the line, while one-off losses of £26m on sales of printing businesses were taken below the line.

The next set of accounts for the period to end-March 1991 were more transparent, institutions said. But the dependence on one-off profits was greater than ever.

The published pre-tax profits were £145.5m, but 87 per cent of this was derived from one-off items including £81m from foreign exchange gains.

In each of the three years, Coopers & Lybrand Deloitte audited the accounts, and signed them as presenting a true and fair view of MCC's business. Coopers stands by its audit reports, but says it does not comment on the audits of specific clients.

The accounts made it very difficult to tell how well MCC could finance its huge transformation. The accounts of a public company do not cover its shareholders' finances, so there was no indication that MCC's principal shareholders, the Maxwell family interests, were encumbered with large additional debts.



It was against this background that Mr Maxwell changed MCC's stockbrokers. Alexanders Laing & Cruickshank, brokers with a high reputation for research, had handled the July 1987 £630m rights issue for British Printing and Communication Corporation, as MCC was then called.

In mid-1990, however, Mr Maxwell replaced them with Smith New Court. He was beginning to consider floating the Daily Mirror, the most important of the family's private businesses. That task would benefit from the formidable market placing power Smith had developed as one of the City's biggest stock jobbers before Big Bang.

In turn, Smith was looking for large corporate customers as it established itself as an integrated securities house after Big Bang. Its new chairman, Sir Michael Richardson, had joined the firm from NM Rothschild, Smith's largest shareholder, of which he remains vice-chairman.

Sir Michael introduced Mr Robert Maxwell to Smith and throughout remained the main point of contact. He had known Mr Maxwell since 1964 when he helped float Pergamon Press, Mr Maxwell's first business, and was present at Mr Maxwell's funeral in Jerusalem.

The company which Sir Michael helped bring to Smith was obviously difficult to represent to investors. As part of a media industry survey in March 1991 Smith's analysts argued that while MCC's one-off items could not "conventionally be claimed to represent high quality earnings . . . theoretically the accounting practices that have generated disquiet should fade once the debt burden lessens . . .

"It is a measure of the market's scepticism . . . that the p/e and yield still signify a company in trouble – which is manifestly not the case".

The analysis recognised the uncertainties about the company, but concluded with a "buy" recommendation.

A month later, in April 1991, MCC issued a profits warning.

From time to time, most stockbrokers find themselves representing clients who run into trouble. When that happens, it is easy enough to find analysts' comments that look embarrassing in hindsight.

In this respect, Smith's experience with Maxwell is no different from any other corporate débâcle. A more distinctive issue, however, is the question of how closely Smith examined the possibility that in the unusual circumstances of the case the finances of the Maxwell private companies might affect the market in MCC's shares.

Sir Michael said: "Smiths did not make formal inquiries about MCC in taking it on. The fact that I had dealt with the Maxwells for 27 years was a big factor. We certainly didn't put an accountant in and we did not consider it our business to look at the private companies."

Robert Maxwell: change in strategy marked new relationship with MCC shareholders

The private businesses were separate legal and commercial enterprises from the publicly quoted companies. Yet at some point in the year before Mr Robert Maxwell's death, investors' concerns about the private businesses seem to have started to influence the market in MCC shares.

The market first began to raise the question in the autumn of 1990, as selling pressure on MCC shares grew amid concern about its October debt repayments. In August Mr Maxwell had sold a "put" option to Goldman Sachs, giving the US investment house the right to sell him MCC shares at a future date, and providing Goldman with an incentive to buy shares.

Goldman had no formal relationship with MCC. The company was an active market maker in MCC shares and was, according to market traders, a consistent bidder for MCC shares at times when they were under pressure during 1990 and early 1991.

Goldman said it already held a large stake in MCC when it bought the Maxwell put option in August 1990 – buying options was a normal way of hedging a long position in a volatile stock.

When knowledge of the put option emerged in December 1990 analysts began to wonder why Mr Maxwell had sold it.

They were not aware that Mr Maxwell had mortgaged part of his private holding in MCC to raise this debt, making the private finance partly dependent on the MCC share price.

Speaking for Smith New Court, Sir Michael Richardson said: "We were not aware of the collateral at that time. Our duty was to MCC. I do not care to comment on whether we should have known."

In August 1991, MCC's exposure to weaknesses in the private company finances was again in the spotlight. Four months after it should have declared an interest under Stock Exchange rules, Goldman Sachs announced it held a £143m stake in MCC, then about 13 per cent of the company's market value, and that £106m of this stake was held as collateral for loans to private Maxwell companies.

Between the 1990 put option and Goldman's announcement, Mr Maxwell floated Mirror Group Newspapers in May 1991. Had Goldman declared its interest in MCC shares in April, when the rules required, the market might have asked more about links between Maxwell's private and public businesses ahead of the Mirror flotation.

During that flotation, Smith and joint advisers Samuel Montagu took great care to draw a legal ring fence around the Mirror Group. It spelled out, among other things, the arms-length terms on which MGN would deal with other Maxwell companies.

Although MGN would remain 51 per cent controlled by private Maxwell companies, the ring fence was designed to prevent MGN assets being used in the private side.

Sir Michael said that great care was taken to examine every detail of the prospectus but that Smith New Court did not consider its role as a broker to include the investigation of Maxwell private finances before the float.

MGN was floated at 125p. The main purchasers were US institutions, intrigued by Mr Maxwell's flamboyant purchase, for the family's private interests, of the New York Daily News. A small portion were taken up by Daily Mirror readers but UK institutions showed great reluctance to participate.

Soon after the flotation, the pattern of securing private debt on MCC shares was repeated. Before the float, Mr Maxwell paid off longstanding loans mortgaged on the Mirror trademarks and titles. But banks took new mortgages against much of Mr Maxwell's private shareholding in MGN to secure debt almost immediately after the float.

The complex pattern of loans, and the fact that the banks believed them to be secured by the family's assets, is at the heart of the banks' negotiations since Mr Maxwell's death threw the empire into crisis. But it is clear, in retrospect, that any factor that caused the MCC share price to fall could have triggered a similar financial crisis.

The advisers to the Maxwell public companies fulfilled their responsibilities under accounting and securities codes. That is little consolation, however, for shareholders of Maxwell Communication Corporation.

The way in which the Maxwell private interests were intertwined with the fate of the public companies is something that would have been hard to glean from any publicly available document. It was that relationship which left the Maxwell empire so vulnerable.

Dobson Park restructuring begins

By Andrew Bolger

DOBSON PARK Industries, the mining equipment, industrial electronics and toys group, yesterday announced a sweeping restructuring to cope with falling demand from its principal customer, British Coal.

The group said it had become increasingly clear that when current coal supply contracts with electricity generators terminate in 1993, a significant part of British Coal's traditional market would be threatened by international competitors.

Dobson Park would have to withdraw from its traditional high-volume market of supplying hydraulic roof supports and conveyor systems, and instead focus on the limited number of high-technology pits which would survive.

The group took an extraordinary charge of £4.64m to cover the restructuring.

Pre-tax profits fell by 33 per cent to £13.1m on turnover down 7 per cent at £233.7m. Although earnings per share fell by 38 per cent to 7.05p (11.32p), the interim dividend is held at 3.85p, maintaining the final at 5.75p.

Mr Alan Kaye, chairman and chief executive, said: "Trading conditions throughout the year were harsh and as yet there is no tangible sign of recovery.

"Against this background, we have continued to reduce costs aggressively in all divisions." The total number of employees fell from 4,842 to 4,043.

The group also took an exceptional charge for reorganisation of £2.5m (£2.8m) with some £1m spent in the mining division in the first half, before it was decided to make the extraordinary provision. Most of the rest of the exceptional charge related to reorganisation of the toy division.

The group blamed reduced trading profits from its industrial electronics division – down from £8.1m to £5.48m – on weakness in the US industrial market and some loss of efficiency caused by reorganisation.

Mining equipment, which saw trading profits fall from £7.26m to £6.64m, benefited from increased overseas business, but was unable to offset fully the decline in demand from British Coal.

The slump in the UK construction industry caused turnover in the power tools division to fall from £28.5m to £22.4m, but the impact on trading profits of £1m (£1.54m) was contained by continuing rationalisation of operating facilities.

The toys division, which was also severely affected by low UK demand, made a trading profit of £1.2m (£2.24m).

● COMMENT

Dobson Park is rightly viewed as an income stock, so the board did not hesitate to maintain the dividend, in spite of the sharp drop in cover this year. That does not seem unreasonable, given the management's tight grip on costs and the strong balance sheet, where gearing fell from 21 per cent to 14 per cent. The strengthened management is looking at acquisitions in industrial electronics, and seems unlikely to stay in either toys or power tools. Assuming the dividend is held again next year, the shares are on a hefty yield premium to the market, which makes them a safe recovery play. However, the fact that they have outperformed the market by 30 per cent since the beginning of August suggests there may be scope for advance in the short term.

Exceptional costs leave Faber Prest down 35%

By Peggy Hollinger

REORGANISATION costs depressed profits at Faber Prest, the industrial and distribution services company, by 35 per cent to £3.1m for the year to September 30.

The pre-tax figure was struck after exceptional charges of £1.7m, arising from redundancy payments, the costs of a research joint venture in the US, and losses on the sale of a truck service business.

Sales declined by 10 per cent to £76.7m. Three businesses were sold during the year and two after the year-end. Losses were incurred on all the disposals and the costs were reflected in the extraordinary charge of £2.8m. One more sale is planned this year.

Mr Roger Feaviour, who became chief executive at the beginning of September, said the group had been refocused.

He added that in continuing businesses pre-tax profits had risen by 2 per cent.

Operating profits at industrial services – which accounted for about 70 per cent of the total – fell 7 per cent to £3.4m, on sales up 13 per cent. The slowdown in the steel industry had forced margins down by between 1 and 2 percentage points, Mr Feaviour said.

The distribution operations – responsible for a further 25 per cent – had a difficult year, with profits down 4 per cent and turnover 9 per cent lower. Car retailing suffered a 12 per cent decline.

Debt had been cut by £4.5m to £9.5m at the end of the year, for gearing of 53 per cent. Mr Feaviour said current trading was in line with expectations. However, there had been no sign of an upturn in the group's markets.

Higher tax charges helped to depress earnings per share, which dropped from 34.55p to 12.58p. Directors are recommending a cut in the final dividend from 7.7p to 4.3p, making a total of 8.6p (12p).

Brick venture cemented to shore up sector subsidence

Andrew Taylor on the Tarmac/Steetley tie-up

THE rationalisation of the UK's bruised and battered brick industry got under way yesterday with the announcement that Steetley and Tarmac, two of Europe's largest building materials groups, were to merge their UK clay and concrete products businesses.

The joint venture will mean more plant closures and redundancies in a UK brick industry which has been hit as badly as any sector by the deep recession in the British residential and commercial property markets.

Stocks of unsold bricks on factory forecourts this autumn rose to almost 1.4bn – more than during the recession in the early 1980s and during the property crash in the mid-1970s. Average brick prices have fallen 15 per cent since last November.

Yet three years ago manufacturers were being criticised for having insufficient capacity to supply housebuilders, some of which were importing bricks from continental Europe.

In 1988 UK housebuilders started work on 216,000 new private homes, the highest figure for more than a decade. A year later starts had tumbled by 22 per cent to 168,000. This year starts are expected to fall to about 135,000 – a fall of 37 per cent since 1988.

The impact on brick sales has been dramatic. More than 4.5bn bricks were sold during 1988; almost 4bn were sold in 1989. This year sales are likely to be about 3.1bn compared with a manufacturing capacity of 4.2bn.

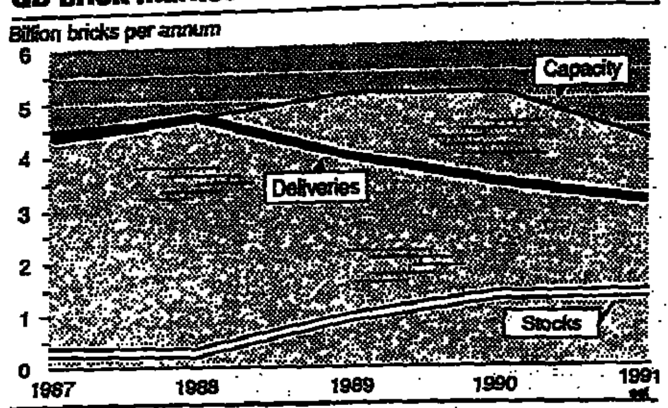
The arithmetic is simple: bigger and deeper cuts will have to be made in capacity. Mr Richard Miles, managing director of Steetley, says: "Rationalisation is long overdue. Our move will force other people to look at their structural problems.

"Even when the housing market picks up we do not expect annual demand to reach 4bn for several years to come."

Marley, another large UK building materials group, has indicated it would be prepared to sell its British brick business. Before completing its deal with Steetley, Tarmac was understood to have cast a predatory glance at Ibstock Johnsen, one of the few remaining independently quoted brick manufacturers.

GB brick market

Billion bricks per annum



Through its London Brick and Butterley subsidiaries, Hanson is the UK's biggest brick manufacturer. It has cut capacity at the two companies by about a third since the summer of 1989. Other manufacturers have been slower to cut. Prices and margins, as a result, have slumped, making the need for rationalisation even more urgent.

Allied Building Materials, the joint venture to be created by Steetley and Tarmac, plans to achieve annual savings of about £10m – the brick business is expected to generate more than half of these savings.

The two companies have a combined capacity to produce 700m bricks a year.

Together they will be the biggest manufacturer of quality facing bricks with about 18 per cent of the market and the second largest brick producer overall with a 16.5 per cent share.

Mr Bryan Baker, Tarmac's group managing director and chairman of the joint venture, says that brick capacity is likely to be cut by about 100m; this will involve the closure of between three and six plants. Most vulnerable will be brick works in north-east England and in the Midlands where there is the greatest overlap between the companies' plants.

The aim, says Mr Baker, is to cut overheads by 10 to 15 per cent, concentrate brick production in the most efficient plants and become the lowest cost producer in the country.

Steetley will provide the biggest element of the merged brick business. It has annual capacity of 450m compared with Tarmac's 250m. More than half of Allied's profits are expected to be generated by brick sales.

Steetley has two plants in south-east England, the country's biggest construction market, where Tarmac has long desired to expand its brick operations. Tarmac is stronger in south-west England (where Steetley has only a limited base) and in the Midlands.

Other businesses being merged include the two companies' clay tile operations, which will have a combined market share of 44 per cent, and concrete products which together will command about 16 per cent of that market. In both fields Allied will become the largest supplier.

There will be scope for some savings in these divisions, which, like the brick side, sell heavily into the domestic housing market. Steetley is much the stronger in clay tiles but has only six concrete product plants compared with Tarmac's 24.

Mr Miles of Steetley says that the effect of the joint venture will be to enhance the earnings of both companies after redundancy and closure costs. Earnings are more likely to benefit in 1993 than 1992 given the current state of the housing market.

Tarmac yesterday warned that house sales this year were likely to be lower than it had expected.

Falling house prices since the beginning of this year mean that Tarmac directors would have to reassess what provisions they might have to make to cover potential losses in the future.

There is a lot of pain still to be endured in the construction and building materials sectors.

Dares wins year's grace after bank agreement

By Vanessa Houlder, Property Correspondent

DARES ESTATES, a property company that has been struggling for survival for the last nine months, yesterday announced that it has signed an agreement with its banks.

It also published its much delayed interim results, which revealed a pre-tax loss of £16.3m for the six months to June, compared with a pre-tax profit of £3.66m.

Mr Brian Tomlinson, managing director, said that the agreement, which was eventually signed late on Friday night, was an example of the successful application of the "London Rules", the guidelines laid down by the Bank of England to help banks reach a compromise. Its principal banks were Midland and the Long Term Credit Bank of Japan.

The cost of the refinancing negotiations was £850,000 and was reflected in exceptional provisions.

Dares had been given a breathing space until the end of 1992. It expected to match its interest costs with its rental income by that time. It intended to realise between £20m and £25m of property over the next 30 months.

Mr Tomlinson said that after the initial workout period, the company would need a capital reconstruction.

Dares had borrowings of £90m and estimated that its net worth was £25m.

Losses were struck after exceptional provisions of £8.59m. The principal item was £6.7m against the development at Union Square, New York. The company was in negotiations with its joint venture banks for handing over the building in return for release from its guarantee obligations.

Other provisions were made against listed securities and costs of closing the London office, as well as refinancing.

Turnover rose from £8.56m to £11.6m. Interest costs were up from £4.31m to £7.87m. Losses per share were 8.75p (earnings of 1.02p). The interim dividend is passed (0.25p).

Control Techniques falls and gloomy on growth

By Michiyo Nakamoto

CONTROL TECHNIQUES, the international motion and process control and automation systems group, reported a 44 per cent fall in pre-tax profits for the year ended September 30 1991 and said it was not expecting any growth in the current term.

The shares fell 12p to 197p yesterday.

Profit dropped to £4.15m (£7.43m) on turnover ahead to £69.8m (£55.7m). The increase stemmed from a combined contribution of £14m from four acquisitions. Their contribution to profit was £900,000.

Mr Trevor Wheatley, chairman, forecast zero growth for the group overall this year and saw no particular reason for expansion in the UK economy after next year either. Any increase in profits was likely to come from the integration of acquisitions, he said.

Because of the Gulf war, worldwide distribution of the group's standard products "just ceased" between January and February, he said.

Earnings per share slumped to 7.7p (19p). However, the final dividend is again 4.35p giving an unchanged total of 6.5p.

The group was counting on contributions from acquisitions for future growth and has been targeting the German and US markets. In Germany it bought Reta Electronic, which is involved in the manufacture of standard electronic drives, and Dr Henschen, a maker of pressure and temperature indication and control instrumentation.

In the US, it acquired Electronic Control Systems, which already markets its process control products there, and ICD, a manufacturer and distributor of standard controls systems.

However, neither of those markets had particularly bright short-term prospects. The US was bumping along the bottom with the possibility of a second dip into recession, while the German market was expected to continue to soften, Mr Wheatley said.

Antares buys Harrison Inds through £14m reverse takeover

By Michiyo Nakamoto

HARRISON INDUSTRIES, a supplier of doors, control equipment and castings, is being acquired in a reverse takeover by Antares, a distributor of Du Pont petroleum additives which also owns the Covent Garden General Store, in a recommended offer which values the larger company at £14m.

The takeover of Harrison, which has a market capitalisation of £10m, by Antares, which is capitalised at less than £1.9m, is being made through an offer of 920 new Antares shares of 10p each for every 100 Harrison shares.

The share offer values each Harrison share at 115p, compared with a middle market quotation of 59p on November 12, when the shares were suspended on the announcement that it was in talks that could lead to a possible offer.

Yesterday, Harrison's shares surged to 110p on the news, before closing up 40p at 99p.

There is a partial cash and loan note alternative which values each Harrison share at approximately 98p.

In order to finance the cash element of the offer and provide working capital for the enlarged group, Antares is raising about £5.6m net, by way of a placing and open offer of 51m new Antares shares of 10p each at 12p per share. The shares closed yesterday at 1¼p.

The open offer to shareholders will be of three new Antares shares of 10p each for every 10 Antares shares of 1p each at the placing price. A ten-for-one consolidation of the shares is to be proposed at an EGM.

The enlarged group will trade as Harrison Industries.

Mr Barry Giddings, chairman and chief executive of Antares, said that the Covent Garden General Store would eventually be sold and the enlarged group would be a totally industrial company.

Harrison's dependence on the construction industry would be reduced and new markets sought in the environmental, security and general engineering markets.

In the six months to September 30, Harrison announced a sharp fall in interim pre-tax profits from £422,000 to £27,000. Consolidated net assets were £18.7m at March 31.

Antares yesterday reported a reduced interim loss before tax of £626,000, against a deficit last time of £744,000 and a £1.4m loss in the year to December 30. Net assets at the year end were £105,000 (£2.4m in 1989). A rationalisation and reorganisation programme to cut debt has been implemented.

Allied-Lyons to lease 142 pubs to Burtonwood

By Philip Rawstorne

ALLIED-LYONS, which two weeks ago announced plans to lease 750 of its pubs to Brent Walker, the leisure group, has agreed to lease a further 142 to Burtonwood Brewery, the north west-based brewer.

The deal means that Allied will now have to dispose of only another 600 pubs to meet government requirements to free 2,300 from tied beer supplies by November next year.

The pubs, located mainly in the West Midlands, South Yorkshire and North Wales, will be leased for a 25-year term.

Allied has renegotiated the non-exclusive supply agreement under which it already supplies Castlemaine, Skol, and Lowenbrau lagers as well as some other beers to Burtonwood's present estate of 240 pubs.

Mr Don Marshall, commercial director of Allied Breweries, said yesterday that the agreement would provide Allied with further improvements in brewing efficiencies and low cost production.

Burtonwood's own ales would be made more widely available by the extension of its pub estate and consumer choice would be improved.

HMC mortgage book tops £2bn

Household Mortgage Corporation has bought the mortgage book of Boston Safe Deposit and Trust, Co Limited, bringing its own book of mortgages under management to more than £2bn.

No price was disclosed. for the deal. HMC said it was still in the market for other high quality mortgage books.

Boston Safe Deposit's book contained more than £100m of mortgages.

The purchase is the fourth of its kind by HMC in the past year.

The company has also bought the books of Chase Manhattan, Westpac, and Allied Dunbar.

NEWS DIGEST

Surge to over £1m at Vistec

VISTEC, the computer software group, saw pre-tax profits surge from £78,000 to £1.01m, and is returning to interim dividends after a one year absence with 0.1p.

The profit was generated from turnover of £14.3m (£13.9m). Mr Bob Morton, chairman, said a tight control was kept on costs and a positive cash flow maintained.

Current trading was difficult and was expected to remain so until economic conditions improved, he added.

Earnings per share were 0.56p (0.04p).

Vistec recently acquired the assets and undertaking of Ceemore, a specialist in communication software. After paying for that, the group had cash of £5m and medium/long term debt of £3m.

Solid progress at United Drug

United Drug, the USM-quoted Irish pharmaceuticals, consumer products and medical equipment group, lifted pre-tax profit from I£2.38m to I£2.69m (I£2.51m) in the year to September 30.

It was another year of solid progress in the transformation of the group into a diversified distribution and marketing combine, said Mr Jerry Liston, chief executive. Net margins improved from 4.16 to 4.27 per cent on sales of I£63m (I£57.3m).

Earnings per share came to 15.88p (14.42p) and the final dividend is 4.4p for a total of 6.25p (5.75p).

Cambridge Water rises to £1.38m

Cambridge Water Company reported pre-tax profits of £1.38m for the six months to September 30. The company has changed its accounting period to end on March 31 and consequently the nearest comparable period to the current half is the six months to June 30 1990 when pre-tax profits were £823,000.

The result was struck on turnover up at £6.34m (£5.06m). There was a charge of £414,000 below the line, relating to the surplus from land sale and the cost of the unsuccessful High Court action to recover expenses incurred in 1984 and 1988 to replace a polluted source. An appeal has been lodged.

Earnings grew to 365p (204p) per share and the interim dividend is 45p.

AmBrit chief hits out at Pittencrieff

AmBrit International yesterday advised shareholders to ignore Pittencrieff's £4.5m offer as it was "absurdly low".

Mr Alan Russett, chairman, said in AmBrit's defence document that its asset value was more than 14p per share, which was more than 2.5 times the bid price of 5¼p.

He said the offer implied a value for AmBrit's proved and probable oil and gas reserves of only 48p per barrel.

AmBrit also announced that it had recently filed a claim in the US, after consultations over several months with its legal advisers. The group was seeking substantial damages for breach of contract and of fiduciary duties from the operator of some of its US properties and the operator's agents.

Daniel Thwaites brews up 33% gain

A 33 per cent expansion in taxable profits was reported by Daniel Thwaites, the Blackburn-based brewer, for the six months to September 30.

The increase – from £1.8m to £2.39m – was achieved on turnover ahead to £39.6m (£33.3m) and struck despite interest charges up from £2.38m to £2.72m.

The interim dividend is maintained at 0.4p, payable from earnings of 8.2p (5.5p) per share.

The shares trade under Stock Exchange Rule 535(2).

Loss at Campbell & Armstrong

After exceptional charges, Campbell & Armstrong moved from a profit of £304,000 to losses of £849,000 in the half-year ended September 30.

That follows a deficit of £344,000, including exceptionals, incurred in the second half of last year.

The principal item in the exceptionals was legal costs of £250,000 arising from the unsuccessful defence of a claim by a sub-contractor against William Irwin & Co (South). The balance represented redundancy and reorganisation costs.

Mr Ray Chambers, chairman of this specialist shop and office-fitting group, said turnover fell from £33.5m to £31.3m and margins came under pressure. The most significant loss-maker was Campbell & Armstrong (Shopfitters) which was affected by lack of activity in the retail sector.

Irwins, Surelux Lighting, LT Switchgear and Apollo traded profitably. On the basis of the current order book and anticipated margins, Mr Chambers expected all companies to be profitable in the second half.

In view of the expected improvement, the interim dividend is held at 1p; losses per share were 4.5p (earnings 1.4p).

Tex improves to £57,000

Although Tex Holdings lifted pre-tax profits from £17,000 to £57,000 in the six months to September 30, profits from continuing activities fell sharply from last time's £252,000.

Turnover was £8.2m, down from £9.67m from continuing activities and from £11.3m overall.

In the year to March 31 1991 this plastic mouldings, engineering, wood board and system building group, incurred pre-tax losses of £522,000 on turnover of £20m.

Earnings rose by 0.1p to 0.4p per share.

Deficit deepens at Flagstone

Continuing difficulties of the UK property market were blamed by Flagstone Holdings for a further deepening of losses in the six months to the end of July.

The marine, leisure, property and industrial services group incurred a deficit of £756,000 pre-tax over the period against losses of £410,000 last time. Losses at the year-end totalled £934,000.

Losses per share worked through at 0.44p (0.3p).

Acal suffers from fall in margins

Acal, an agent for international makers of electronic and industrial controls, held its sales reduction to 5 per cent in the half year to September 30.

But a drop of one percentage point in gross margins led to a 29 per cent fall in profit to £1.52m (£2.16m) pre-tax. Sales, 70 per cent of which were overseas, came to £29.1m (£30.7m).

Mr John Curry, chairman, said the UK electronics business suffered the most serious downturn, but there was also a sharp decline in sales in southern Europe.

Order levels had not improved since June when he said the "low point" of the order cycle had been reached. That was disappointing but not uncommon in the industry sector at this time.

Earnings per share fell to 7.1p (10.1p). The interim dividend is lifted to 1.95p (1.8p).

Levercrest back in black with £1,000

Thanks in part to interest payable reduced from £67,000 to £51,000, Levercrest returned to the black in the six months to September 30 – albeit only to the tune of £1,000 pre-tax.

Previously, this USM-quoted maker of playground and safety equipment reported losses of £23,000 pre-tax struck on turnover of £3.08m. This time that figure was down at £2.45m, while in the year to March 31 1991 the deficit had been £247,000 on turnover of £5.52m.

In the period under review, operating profits totalled £52,000 (£44,000) and earnings were 0.02p (losses 0.32p) per share.

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COMMODITIES AND AGRICULTURE

ICO group meets amid worry over coffee prices

By David Blackwell

THE INTERNATIONAL Coffee Organisation's working group on international co-operation on coffee meets for the first time tomorrow as producer support for some sort of market intervention appears to be growing.

Over the weekend Brazil and Colombia, the two biggest producers, reached basic agreement on a formula to regulate the supply of coffee. Last week African producers agreed proposals for a return to export quotas.

The ICO working group was set up in September to study ways forward for the international agreement, which has had no market support measures since the export quota system collapsed in July 1989. The group is tasked with taking concrete proposals to the next ICO council meeting in April.

Colombia proposed a scheme in September under which producers would withhold 10 per cent of their production, but this was unacceptable to the US, the biggest consumer.

"The fact that Brazil and Colombia are willing to co-operate has got to be seen as positive", said Mr Lawrence Eagles of GNI, the London futures brokers. "It must be assumed that they have come up with something different."

In spite of the recent rise, coffee prices are still very low. The London second position robusta contract closed at £586 a tonne yesterday, about half the level before the collapse of the export quota system.

The presidents of Brazil and Colombia met at the Rio Group summit in Cartagena yesterday and are today expected to issue a joint declaration of concern over the fall in prices.

London market

THE London robusta coffee market table below has been changed to report the prices of the dollar contracts, which have been trading since March 1990 in parallel with the sterling contracts on the London Futures and Options Exchange (Fox), writes David Blackwell.

The sterling November contract came off the board last week, leaving only January and March trading. The closing prices of these months will be in the footnotes for the table until they come off the board.

The robusta market's switch from sterling to dollars has been made in response to trade pressure, a Fox spokesman said yesterday.

Trading volume has been low in the dollar contracts so far, as traders "tend to stick with the market they know".

Aluminium under 50c a lb despite production cut

By Kenneth Gooding, Mining Correspondent

THE PRICE of aluminium for immediately delivery fell below 50 cents a lb ($1,100 a tonne) on the London Metal Exchange yesterday, the level at which analysts suggest 75 per cent of the western world's smelting capacity is operating at or below its cash costs.

At one stage, aluminium for delivery in three months touched $1,125 a tonne, the lowest point since the LME contract was introduced.

This was despite another producer announcing planned output cuts. Granges, part of the Electrolux group, said it wanted to cut production at its smelter in Sundsvall in northern Sweded by 20 per cent or an annual 20,000 tonnes by closing part of a pot line. Talks with union representative will get under way today and they have been told action is needed urgently.

Granges, like the rest of the industry, blamed low aluminium prices caused by the unprecedented level of exports from the former Soviet Union.

Mr Robin Bhar, analyst with Carr Kitcat & Aitken, part of the Banque Indosuez Group, described Granges' proposed cut as "too little, too late."

He pointed out that the cuts being made by the aluminium industry, so far totalling about 870,000 tonnes a year, were gradual and would take some time to have make an impression on stocks and prices.

"To put the Granges proposal in perspective, it represents the average increase in LME aluminium stocks in one week."

Spot aluminium ended last night down $6.50 a tonne from Friday's close at $1,099.50 while three-month metal was $1,126.50, down $5.

New company formed to market S African wines

By Philip Gawith in Johannesburg

UNIFRUCO, the overseas marketing arm of the South African deciduous fruit industry, is to become involved in the distribution of South African wines in Europe. A new wine export company called Vinfruco has been set up to market wines from the Stellenbosch region.

The announcement is a boost to the local wine industry, which is slowly emerging from the enforced isolation of the sanctions era.

Unifruco continued to market South African fruit throughout the sanctions period and has a sophisticated infrastructure. It exported 35m cartons of fruit in the 1991 financial year, most of this to the European Community, and recently concluded a joint marketing arrangement with South African citrus growers.

Vinfruco has been formed by Unifruco in association with some of the country's best known independent wine estates and co-operative wineries. The former include Rustenburg, arguably South Africa's best known red wine estate, Overgaauw, Vriesenhof and Neil Ellis, while the co-op's include Vlottenburg and Welmoed.

In a two-tier operation, middle-price wines will be targeted at the popular market, under the generic label "Oak Village", while a smaller number of premium wines will be sold under the individual estates' labels. The Oak Village range will consist initially of four cultivars: Sauvignon Blanc and Chenin Blanc (whites) and Pinotage and a Cabernet/Merlot/Shiraz blend (reds).

Mr Louis Kriel, chairman of Unifruco, said Unifruco's infrastructure and influence could be used without disrupting its existing activities.

"We have a modest contribution to make due to our good trade relations, particularly with the chain store groups in Europe, and we hope this can be utilised to the benefit of the wine industry."

Mr Etienne le Riche, winemaker at Rustenburg, said the initiative came at the right time for the industry with new markets opening up. He said Rustenburg's experience was that there was much interest in South African wines and although volumes were not large, they were on an upward trend.

He said he thought Vinfruco might be able to export 30,000 cases in its first year.

Traditionally the bulk of South African wine exports have been through KWV, the co-operative organisation which supervises the industry. Mr le Riche said Vinfruco was not competition. "At the end of the day we're all promoting South African wines."

He said the wine which overseas buyers seemed most interested in was Pinotage, a blend of the Hermitage and Pinot Noir grape unique to South Africa.

UK farming income 'fell by 5 per cent in 1980s'

By David Owen

BRITISH FARMERS fared worse than most of their European Community counterparts in terms of income during the 1980s, the government has admitted.

The most recent assessments suggest that aggregate farming income, expressed in real terms and per annual work unit, fell by "a little over 5 per cent" between 1980-1990.

This compares with increases of up to 243 per cent in other EC countries. The figures were given by Mr David Curry, parliamentary secretary to the minister of agriculture, fisheries and food, in answer to a written question from Mr Geraint Howells, the Liberal Democrat MP for Ceredigion and Pembroke north.

The only EC country to do worse than Britain was Italy, where real net incomes fell by 32 per cent. Portugal fared about as badly as the UK, with a decline of 5.9 per cent during the decade. The strongest advances were recorded by Denmark (243 per cent), the Netherlands (82.5 per cent), Luxembourg (70 per cent) and Ireland (63 per cent).

The classification is based on figures published by Eurostat, the EC statistics office.

A footnote to the table points out that Danish incomes were "particularly low" in 1980. Germany and France registered increases over the period of 35 per cent and 29 per cent respectively.

Mr Curry emphasised in his reply that the Eurostat figures included forecasts for 1990 that were made one year ago and were subject to revision.

In current prices, aggregate 'total income from farming' in the UK rose by some 55 per cent between 1980 and 1990, Mr Curry said.

● The number of cases of BSE, popularly known as 'mad cow disease', is continuing to rise, according to government statistics. These put the number of confirmed cases in the ten-and-a-half months to November 15, at 15,698. This compares with 14,332 in the whole of 1990.

Mr David Maclean, parliamentary secretary to the ministry of agriculture, fisheries and food, said that the disease's long incubation period made it impossible to predict accurately "when we will see a decline in cases appearing".

Stressing that it had been more than three years since the most likely source of infection had been cut off, he predicted a decline in the number of confirmed cases some time next year "provided that other routes of transmission do not play a significant part in the epidemiology of the disease".

Danes face difficult balancing act

Hilary Barnes assesses the impact of recent anti-leaching measures

DENMARK'S government and parliament (Folketing) are committed to giving the country "agriculture with a sustainable development" – that is, competitive, not financially dependent on the state and "in balance with nature".

It is not an easy goal to achieve – particularly given the definition of sustainable as refined by the decisions of the Folketing.

There is no difficulty with the competitive element, or independence of government finances (within the framework of the Common Agricultural Policy), but the satisfactory balance with nature is proving problematic.

According to a recent assessment by the State Institute of Agricultural Economics, satisfactory balance with nature, as defined by the Folketing, would require a 58 per cent reduction in the area of cultivated land or the virtual cessation of animal agricultural production, which is clearly unacceptable for the country's largest export industry.

The Folketing wants to reduce the leaching of nitrogen and phosphorous into domestic and coastal waters.

In 1987, influenced by a scare when the lobster population in an area of the Kattegat was killed off by lack of oxygen in the water, the Folketing agreed an ambitious plan to reduce drastically emissions of these wastes into the waterways.

The target was that within five years nitrogenous wastes should be cut by 50 per cent and phosphates by 80 per cent. As far as industrial and household wastes are concerned, the targets have been achieved. But the chief culprit, responsible for by far the biggest share of the nitrogen problem, is agriculture. The task of reducing leaching from the land without dealing a body-blow to agriculture is complex.

The 1987 aquatic environment action plan was based on a reduction in the leaching of nitrogen by 127,000 tonnes a year within five years. In simple terms, this would be equivalent to reducing the use of artificial nitrogen fertilisers from around 400,000 tonnes a year to 270,000 tonnes.

However, the action plan did not impose a tax on fertilisers, although it demanded that each farm make a fertiliser field plan every year, with a view to ensuring the most efficient use.

The main impact of the aquatic environment plan came from restrictions on the spreading of liquid manure to times of the year when it can be absorbed by plant growth. This has required farmers to make substantial investments in storage facilities. The plan also required green fields through the winter for 65 per cent of the cultivated area.

The original restrictions are being tightened, so that spreading of liquid manure will soon be disallowed between harvest and March 1, except on winter rape and grass in September. By 1995, liquid manure will only be allowed to be spread on growing plants or injected directly into the earth, which will requires the development of new machinery. This will bring about increased use by plants of nitrogen in manure.

According to the Ministry of Agriculture, a reduction of 50,000 tonnes in nitrogen leaching has already been achieved, meaning that a further reduction of 77,000 tonnes has yet to be achieved.

But the State Institute of Agricultural Economics estimates that the final impact of the aquatic environment action plan will be a reduction in leaching of only 35,000 tonnes a year, plus a little more when structural changes in agriculture – set-aside measures, changes in herd size and crop patterns, and so on – are taken into account. The institute concludes that only drastic and unrealistic changes in production and cultivation will achieve the goal set by the politicians.

However, the institute drew a second, less depressing conclusion. It found that the difference between nitrogen leaching now and in the 1950s, when the environmental problems were not seen to be particularly serious, was much less than has generally been believed. This was reached through new calculations of the biological fixing of nitrogen, showing that this was much higher than earlier calculations suggested.

To get leaching back to the 1950s levels, when only 75,000 tonnes of artificial fertiliser were used, would require substantial structural changes, but at least it is within reach, the institute considers.

The structural changes associated with a successful outcome to the Uruguay Round and changes in the CAP would be helpful in this respect, the report adds. These changes would lead to a considerable cut (through some reduction in animal production, through set-aside programmes and changes in crop patterns) in nitrogen application and leaching.

Ebesa awarded Amazon tin rights

By Victoria Griffith in São Paulo

THE BRAZILIAN government has awarded mineral group Ebesa mining rights to one of the world's biggest tin reserves in a move aimed at halting illegal tin exports and stopping environmental damage.

Bom Futuro, located in the Amazon jungle and discovered in 1987, has traditionally been mined by small-time *garimpeiros*. The miners were evacuated in August, when they were accused by police of laundering drug money and destroying the environment.

However, in September, the state government, fearful of the economic consequences of the shut-down, decided to allow the miners back in.

In return for the mining rights, Ebesa, which is 49 per cent controlled by the mineral giant Paranapanema, has accepted the responsibility of cleaning up the environment around Bom Futuro. Thiswill cost at least $20m.

For the time being, Ebesa intends to purchase the tin from the small-time miners for a pre-set price based on quotes at the London Metal Exchange. The *garimpeiros* also retain the right to mine a small area of Bom Futuro for themselves.

In its hey-day, Bom Futuro produced 27,000 tonnes of tin a year. However, the fall in world tin prices and exhaustion of the mine's surface reserves means that total production this year will probably be less than 12,000 tonnes. With Ebesa operating in the area, Bom Futuro's total annual production capacity is expected to increase. The group is investing $17m in new mining equipment for the area.

However, a spokesman at Ebesa said it was in the company's interest to limit production and exports in an effort to increase international price levels. Illegal exports from Bom Futuro, which totalled about 15,000 tonnes at the end of last year, should slow down with Ebesa in charge.

Moreover, the company intends to respect an international agreement signed by Brazil in October this year which limits the country's total exports to 28,000 tonnes and total production to 34,000 tonnes in 1992.

Inco, BRGM evaluate New Caledonia nickel

By Bernard Simon in Toronto

INCO OF Canada, the world's biggest nickel producer outside the former Soviet Union, and the French government's geological survey agency, Bureau de Recherches Géologiques et Minières (BRGM), are to examine the feasibility of mining what appears to be a spectacularly rich nickel deposit in southern New Caledonia.

Evaluation is likely to take between two and four years. A spokesman for Inco said that, based on exploration results in the early 1970s, reserves and grades could exceed those of PT Inco, the company's 58 per cent owned Indonesian operation. PT Inco is expected to produce about 75m lbs of nickel this year, and slightly more in 1992.

The tests indicated reserves of about 10bn lbs of recoverable nickel. "The whole island is made of nickel," said one enthusiastic Inco official.

BRGM has agreed in principle to sell Inco a subsidiary which owns mining titles to the region, as well as patents and know-how for processing nickel oxide ores. Terms are expected to be finalised within the next few months. The two parties will form a joint venture for the project, with Inco having a majority interest.

Peru row 'resolved'

By Sally Bowen in Lima

A LONG-STANDING dispute between the US-owned Southern Peru Copper Corporation (SPCC) and the Peruvian government has been resolved, according to statements made by President Alberto Fujimori to a meeting of private sector businessmen on Sunday.

The dispute, over the mechanisms used by SPCC to recover its investment in the huge open-pit Cuajone copper mine, has been delayed in the courts since 1989.

It has hindered further SPCC investments in Peru and has been a significant discouragement to other potential foreign investors.

The agreement provides for SPCC to pay $12m in interest payments to the Peruvian government and to deposit the amount under dispute ($54m) in an account with Peru's Central Reserve Bank.

This money will form part of the $200m that SPCC plans to invest in Peru in the near future.

Cuajone is the larger of SPCC's two copper mines and has been operating since 1976.

Cuajone and Toquepala together currently produce around 22,000 tonnes a month, equivalent to two-thirds of Peru's total copper output.

WORLD COMMODITIES PRICES

MARKET REPORT

The premium for cash copper over three-month widened to £50.50 a tonne on the LME yesterday. Dealers said the December tightness continued to underpin the squeeze, with the market nervous ahead of tomorrow's option declarations, due to large open positions. Zinc prices were underpinned by the developing tightness of New Year supplies. As with copper, the tightness appeared to be emanating from potential commitments in the options market, traders said. This, coupled with genuine supply concerns caused by the Peru *force majeure* and persistent market talk of a European smelter shutdown, helped to lift the three-month price. But, they added, if a production cut is not confirmed soon current levels may be difficult to maintain. Gold moved ahead on the London bullion market, underpinned by falling international equity markets. Dealers said bullish sentiment was bolstered by a sharp overnight fall on the Tokyo stock market followed by losses yesterday afternoon on Wall Street. The market was also supported by the dollar's easier tone on US economic concerns and the weekend vote for independence in the Ukraine, which sparked concern for possible Soviet unrest.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-6.95	-0.30
Brent Blend (dated)	$19.55-9.60	-.275
Brent Blend (Jan)	$19.90-19.95	-.325
W.T.I. (1 pm est)	$21.25-1.30	-0.40
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-225	-2
Gas Oil	$191-192	-4
Heavy Fuel Oil	$80-81	-2
Naphtha	$196-198	-2½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.85	+1.60
Silver (per troy oz)♣	409.50	+2.5
Platinum (per troy oz)	$369.50	+0.50
Palladium (per troy oz)	$84.25	+0.50
Copper (US Producer)	109.0c	+0.5
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.61r	-0.05
Tin (New York)	N/A	
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	105.08p	+0.53*
Sheep (dead weight)†	157.44p	+12.7*
Pigs (live weight)†	84.16p	-5.64*
London daily sugar (raw)	$227.0x	-0.5
London daily sugar (white)	$278.5x	-0.5
Tate and Lyle export price	£235.5	-2.5
Barley (English feed)	£125.12u	+0.37
Maize (US No. 3 yellow)	£145.5	
Wheat (US Dark Northern)	£101	
Rubber (Jan)♥	51.00p	-0.25
Rubber (Feb)♥	51.25p	-0.25
Rubber (KL RSS No 1 Jan)	220m	
Coconut oil (Philippines)§	$595z	
Palm Oil (Malaysian)§	$557.0v	-3.0
Copra (Philippines)§	$382.5	-5.0
Soyabeans (US)	£149	-2
Cotton "A" Index	61.70c	-0.25
Wooltops (64s Super)	413p	+16

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)
Raw	**Close**	**Previous**	**High/Low**
Mar	195.80	192.80	195.00 192.00
May	195.00	192.80	194.40 193.60
Aug	199.00	197.80	195.60
Dec	197.40		190.00
White	**Close**	**Previous**	**High/Low**
Mar	279.4	280.5	280.0 278.0
May	279.8	281.5	280.2 278.6

Turnover: Raw 163 (117) lots of 50 tonnes. White 744 (68)
Paris- White (FFr per tonne): Mar 1584.83, May 1601.78

CRUDE OIL – IPE			$/barrel
	Close	Previous	High/Low
Jan	19.73	20.13	20.27 19.72
Feb	19.70	19.96	20.08 19.67
Mar	19.60	19.80	19.93 19.58
Apr	19.34	19.50	19.60 19.30
May	19.25	19.50	19.50 19.25
Jun	19.15	19.45	19.15
IPE Index	20.27	20.27	

Turnover 17490 (15506)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Dec	191.75	195.00	196.25 191.50
Jan	193.75	195.75	197.50 193.25
Feb	191.75	193.25	195.25 191.50
Mar	186.75	188.50	191.00 188.50
Apr	181.50	183.00	183.00 181.50
May	176.25	177.50	177.50 176.25
Jun	175.50	175.00	176.00 175.00
Jul	176.50	177.00	176.50 176.00
Aug	178.50	180.00	178.50

Turnover 14531 (13846) lots of 100 tonnes

TEA
A strong demand prevailed this week, reports the Tea Brokers' Association. Colour Assam ctc's were often 5 to 10p higher, sometimes more, while plain sorts ruled firm to dearer. Brokens were, however, weak throughout. The few best liquoring East Africans on offer were again well supported while mediums met improved demand, moving irregularly dearer, except dust grades which tended easier. Ceylons sold readily and sometimes advanced. Offshore good competition with medium generally dearer and no withdrawals. Quotations: quality 190p, medium 125p, low medium 80p.

COCOA – London FOX			£/tonne
	Close	Previous	High/Low
Dec	714	718	716 711
Mar	758	763	760 755
May	783	785	784 779
Jul	807	810	806 803
Sep	829	832	829 827
Dec	856	859	856 854
Mar	883	886	882 881
Jul	918		913
Sep	933	934	932

Turnover: 2911 (5525) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.29 - (944.06) 10 day average for Nov.29 - (956.42)

COFFEE – London FOX			$/tonne
	Close	Previous	High/Low
Jan	1068	-	1076 1063
Mar	1018	-	1020 1000
May	996	-	998 985
Jul	997	-	995
Sep	1002	-	1000 998
Nov	1010	-	1008

Turnover:325 (-) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.29: Comp. daily - (65.27) 15 day average - (64.79)
Sterling close: January £619 , March £ 589

POTATOES – London FOX			£/tonne
	Close	Previous	High/Low
Apr	119.6	125.8	125.5 119.5
May	140.5		142.0 140.5

Turnover 466 (186) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	128.50		128.50

Turnover 59 (25) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point
	Close	Previous	High/Low
Dec	1603	1620	1605 1595
Jan	1646	1645	1635 1625
Apr	1652	1650	1640 1630
BFI	1581	1589	

Turnover 71 (168)

GRAINS – London FOX			£/tonne
Wheat	**Close**	**Previous**	**High/Low**
Jan	125.20	125.25	125.25 125.10
Mar	128.40	128.50	128.30
May	131.35	131.50	131.30
Jun	132.90	133.20	132.90
Barley	**Close**	**Previous**	**High/Low**
Jan	119.55	118.75	119.75
Mar	122.80	122.95	122.90
May	124.70		124.70

Turnover: Wheat 87 (350), Barley 17 (84).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jan	103.0	103.5	103.0 102.5
Feb	105.0	105.0	104.0
Mar	105.5		105.5
Apr	107.0		106.0
May	108.5		109.5
Jun	108.0		107.0

Turnover:16 (11) lots of 3,250 kg

MGMI – London FOX				
	Close	Prev.	High	Low Vol
Indx	134.76	133.59	134.76	

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 15,152 lots	
Cash	1099-100	1105.5-6.5	1098/1098	1098-8.5		
3 months	1126-7	1131-2	1130/1125	1125.5-6.0	1129-30	134,370 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,224 lots	
Cash	1340-5	1312-3	1350/1330	1330-2		
3 months	1291-3	1299.5-300	1296/1290.5	1296-7	1291-3	107,192 lots
Lead (£ per tonne)					Total daily turnover 2,158 lots	
Cash	289-90	291.5-2.5	289.5/289.5	289-9.5		
3 months	298.5-9.0	301-1.5	300/297.5	297-8	301-3	15,056 lots
Nickel ($ per tonne)					Total daily turnover 2,191 lots	
Cash	7125-35	7125-35	7120/7120	7120-5		
3 months	7165-70	7175-80	7175/7160	7162-3	7165-70	18,943 lots
Tin ($ per tonne)					Total daily turnover 386 lots	
Cash	5450-5	5460-70	5460/5455	5455-6		
3 months	5500-5	5510-15	5510/5500	5495-500	5500-10	4,901 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 7,763 lots	
Cash	1219-21	1207-9	1218/1218	1217.5-8.5		
3 months	1202-3	1192-3	1204/1192	1200-1	1202-4	39,054 lots

LME Closing £/$ rate:
SPOT: 1.7757 3 months: 1.7513 6 months: 1.7233 9 months: 1.7016

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)		
Gold (fine oz)	**$ price**	**£ equivalent**
Close	367.70-368.20	
Opening	367.60-368.00	
Morning fix	368.25	207.057
Afternoon fix	368.35	206.973
Day's high	368.70/363.00	
Day's low	367.60/368.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.66	6 months	4.28
2 months	4.51	12 months	4.18
3 months	4.39		

Silver fix	p/fine oz	US cts equiv
Spot	230.25	409.30
3 months	236.30	414.15
6 months	242.45	419.10
12 months	254.50	429.25

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	368.25-369.25	207.00-207.50
Maple leaf	379.50-380.50	213.25-213.75
New Sovereign	89.50-90.50	50.25-50.75

TRADED OPTIONS				
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
550	70	52	1	14
600	29	25	10	37
650	5	11	39	73
Cocoa	**Mar**	**May**	**Mar**	**May**
725	57	82	23	24
750	43	67	34	34
775	33	53	49	45
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
2000	26		23	62
2050	10		50	93
2100	4	27	97	124

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Dec	367.0	367.9	369.2	366.5
Jan	368.4	369.6	0	0
Feb	369.9	371.1	372.4	369.6
Apr	372.4	373.5	374.9	372.2
Jun	374.9	3375.9	377.3	374.7
Aug	377.5	378.5	377.0	377.0
Oct	380.0	381.0	0	0
Dec	382.7	383.7	384.5	383.0
Feb	385.4	386.4	0	0

PLATINUM 50 troy oz. $/troy oz.				
	Close	Previous	High/Low	
Jan	365.5	370.6	371.5	365.0
Apr	368.2	373.1	374.4	368.0
Jul	370.5	375.6	376.0	372.0
Oct	376.5	381.6	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Dec	405.0	405.7	408.0	404.0
Jan	406.5	407.2	408.0	406.0
Feb	408.6	409.3	413.0	413.0
Mar	410.5	411.3	414.0	410.0
May	414.5	415.3	418.0	415.0
Jul	418.2	419.0	419.5	419.0
Sep	422.2	423.0	421.5	421.5
Dec	428.1	428.9	431.0	428.0
Jan	430.1	430.9	0	0
Mar	434.1	434.9	435.0	435.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	101.70	102.60	103.10	101.60
Jan	101.30	102.20	101.70	101.20
Feb	100.80	101.60	101.80	100.50
Mar	100.20	101.00	101.60	100.10
Apr	99.85	100.65	100.25	100.20
May	99.50	100.10	100.70	99.50
Jun	99.10	99.65	99.60	99.40
Jul	98.75	99.20	99.75	99.10
Aug	98.45	98.85	0	0
Sep	98.10	98.45	98.00	98.80

ORANGE JUICE 15,000 lbs. cents/lbs				
	Close	Previous	High/Low	
Jan	164.40	167.40	165.50	163.60
Mar	165.45	168.40	166.25	164.40
May	165.55	168.65	166.50	165.00
Jul	165.10	168.25	0	0
Sep	163.80	166.75	0	0
Nov	162.80	156.10	0	0
Jan	151.65	154.95	0	0
Mar	151.65	154.95	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Jan	21.08	21.48	21.44	21.06
Feb	20.97	21.31	21.27	20.95
Mar	20.80	21.10	21.07	20.77
Apr	20.68	20.97	20.93	20.65
May	20.59	20.86	20.82	20.65
Jun	20.51	20.77	20.72	20.59
Jul	20.44	20.69	20.63	20.50
Aug	20.38	20.62	20.54	20.41
Sep	20.33	20.58	20.48	20.45
Oct	20.30	20.53	20.48	20.35

HEATING OIL 42,000 US galls. cents/US galls				
	Close	Previous	High/Low	
Jan	6151	6315	6300	6140
Feb	6143	6307	6290	6135
Mar	5953	6062	6060	5960
Apr	5721	5804	5800	5720
May	5534	5609	5600	5520
Jun	5444	5509	5510	5435
Jul	5409	5474	5475	5450
Aug	5474	5534	5530	5500
Sep	5589	5649	5630	5630
Oct	5694	5754	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1178	1185	1194	1175
Mar	1226	1231	1240	1220
May	1261	1266	1275	1258
Jul	1292	1297	1303	1290
Sep	1316	1321	0	0
Dec	1357	1360	1350	1350
Mar	1388	1394	0	0
May	1410	1416	0	0
Jul	1433	1439	0	0
Sep	1458	1461	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	76.00	79.00	80.90	79.70
Mar	85.40	83.80	86.50	83.60
May	87.85	86.10	88.50	86.30
Jul	90.35	88.25	90.50	88.75
Sep	92.75	91.15	93.00	92.25
Dec	96.00	95.00	96.00	96.00
Mar	99.00	98.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.93	8.92	8.94	8.90
May	8.86	8.83	8.86	8.73
Jul	8.83	8.77	8.84	8.74
Oct	8.83	8.79	8.64	8.73
Mar	8.82	8.74	0	0
May	8.82	0	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	57.35	57.05	57.55	57.05
Mar	58.98	58.95	59.30	58.55
May	60.09	60.01	60.25	59.75
Jul	60.80	60.72	60.90	60.60
Oct	62.78	63.00	63.00	63.00
Dec	63.32	63.46	63.50	63.40
Mar	64.25	64.62	64.25	64.25
May	64.90	65.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Dec.2	Nov.29	mnth ago	yr ago
1636.6	1639.5	1641.2	1718.3

DOW JONES (Base. Dec. 31 1974 = 100)				
	Nov.29	Nov.28	mnth ago	yr ago
Spot	115.51	-	113.56	123.02
Futures	122.20	-	122.50	123.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	564/4	557/0	565/0	553/0
Mar	570/4	583/6	571/0	558/6
May	575/6	569/2	576/0	564/4
Jul	581/6	575/6	582/0	571/2
Aug	583/0	578/4	583/0	574/4
Sep	584/0	577/0	584/0	574/0
Nov	585/6	579/6	586/4	575/6
Jan	595/0	589/4	595/0	593/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	19.18	18.88	19.22	18.72
Jan	19.25	18.99	19.29	18.82
Mar	19.59	19.28	19.60	19.14
May	19.90	19.63	19.90	19.47
Jul	20.17	19.90	20.17	19.77
Aug	20.32	20.08	20.32	19.96
Sep	20.25	20.10	20.25	20.05
Oct	20.30	20.12	20.30	20.15

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	177.2	177.5	177.5	175.5
Jan	175.3	175.3	175.6	173.4
Mar	173.6	174.0	174.0	171.7
May	173.4	173.7	173.6	171.3
Jul	173.9	174.2	174.2	172.4
Aug	174.5	175.1	175.0	173.2
Sep	174.5	175.4	175.2	173.5
Oct	187.1	188.2	187.1	186.0

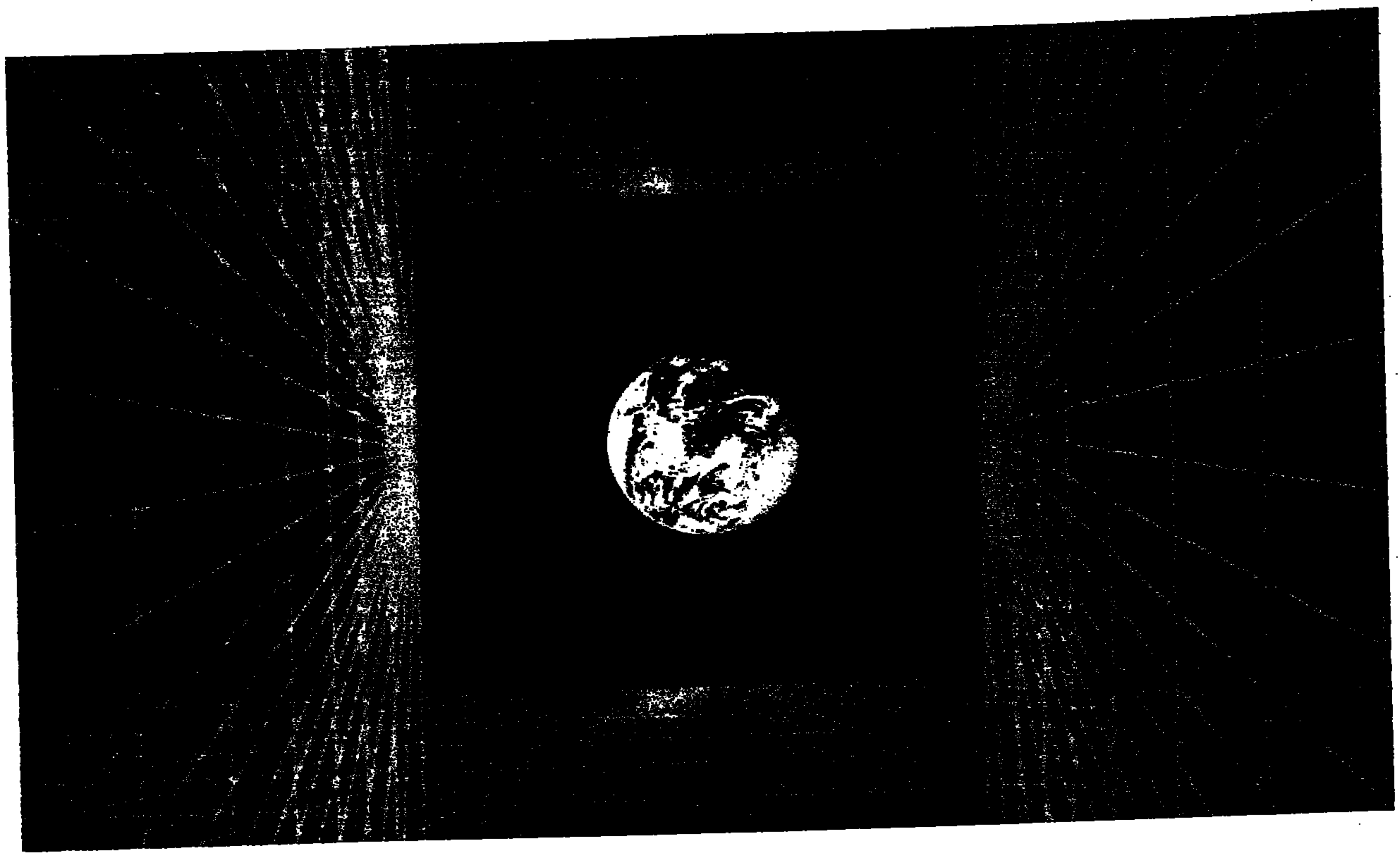
MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	242/2	238/6	242/2	238/6
Mar	250/0	247/4	250/2	248/4
May	256/0	253/6	256/0	252/2
Jul	260/4	258/2	260/4	257/0
Sep	257/4	256/0	257/4	255/0
Dec	255/2	254/0	256/4	252/2
Mar	262/0	260/4	262/0	260/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	371/0	368/2	372/0	361/2
Mar	368/2	368/0	369/0	359/4
May	351/6	349/0	352/0	344/0
Jul	324/6	325/2	325/0	320/4
Sep	330/4	330/0	330/4	326/2
Dec	342/0	342/0	342/0	342/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	73.35	73.52	73.42	73.05
Feb	74.17	74.72	74.50	73.95
Apr	74.40	74.52	74.50	74.10
Jun	70.75	70.92	70.85	70.52
Aug	69.00	69.05	69.15	68.82
Oct	69.40	69.20	69.40	69.15
Dec	70.50	70.40	70.50	70.30

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	42.32	42.12	42.37	41.90
Feb	42.32	42.47	42.40	42.02
Apr	40.32	40.37	40.35	40.05
Jun	45.70	45.67	45.70	45.30
Jul	45.70	45.60	45.70	45.35
Aug	44.42	44.47	44.47	44.10
Oct	40.85	41.10	41.10	40.80
Dec	41.80	42.05	42.02	41.80

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	38.50	38.85	38.92	38.42
Mar	38.35	38.80	38.85	38.30
May	39.65	40.02	39.90	39.55
Jul	40.10	40.50	40.35	39.90
Aug	39.12	39.07	39.55	39.12



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LONDON STOCK EXCHANGE

Good recovery from an early setback

By Terry Byland, UK Stock Market Editor

THE UK stock market stood up much better than most yesterday to the shock of a 3 per cent fall in share prices in Tokyo. The London market was marked down by 32.5 FT-SE points in early trading, but this was less than the setbacks in some other European trading centres and by the end of the day the Footsie's loss had been cut to a mere 5.3, with the 2,400 mark comfortably regained.

Some determined selling was reported early in the session when a market already upset by the fall of 695 on the Nikkei Index had to face further strains on the home front. The suspension of both the Maxwell stocks, Maxwell Communication and Mirror Group, came just before the official opening of market trading, and revived concern over possible losses for the banks involved.

Account Dealing Dates		
*First Dealings:		
Nov 25	Dec 9	Dec 30
Option Declarations:		
Dec 5	Dec 23	Jan 9
Last Dealings:		
Dec 6	Dec 27	Jan 10
Account Day:		
Dec 16	Jan 6	Jan 20

*New-time dealings may take place from 8.30 am two business days earlier.

Nervousness increased as other leading markets backed away from suggestions that German interest rates might be raised at Thursday's meeting of the Bundesbank council and that Wall Street would react strongly to the setback in Tokyo.

However, selling dried up in London and the market then lay dormant until the time for New York's re-opening after the weekend drew near. With the Dow rallying quickly from an early fall to show a loss of 16.33 in UK trading hours, London was able to rally without much assistance from buyers, of whom there were in fact very few.

The final reading showed the FT-SE Index down 5.8 at 2,414.9. At the day's worst, the Index had touched FT-SE 2,387.7, barely six points higher than on March 4 when the market was about to climb strongly. Traders commented that yesterday afternoon saw a good deal of bear closing by marketmakers who remained unwilling to leave any substantial trading positions open in what have proved to be very nervous markets.

Investment sentiment remained very gloomy, with the market dividing between those who predict further setbacks and those who claim that the UK market should be bought on grounds of value – in terms of relative return against bonds.

The presence of bear closers appeared to be confirmed by a sharp increase in Seaq trading volume, which incorporates both retail and inter market business, in the second half of the session. The day's total Seaq volume figure of 400.6m shares was below Friday's figure, however.

Although London appeared to resist the influence of other international markets yesterday, analysts believed that London is now vulnerable to developments in New York and Tokyo. Concern over the outlook for the US economy deepened as a discouraging report from US purchasing managers yesterday opened a week to be featured by economic data from across the Atlantic.

At the same time, London continued to labour under further signs of stress in the domestic economy. The building and construction sector remained under the shadow of the problems disclosed on Friday by YJ. Lovell, and investors took a cautious view of the intention of George Wimpey, one of the UK's largest construction companies, to liquidate its investment property portfolio.

Marketmakers are also aware that the big institutions are holding back investment cash ahead of the £5.5bn BT share sale, which opens for dealing next Monday.

FINANCIAL TIMES STOCK INDICES

	Dec 2	Nov 29	Nov 28	Nov 27	Nov 26	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.90	86.04	85.70	85.76	85.66	82.56	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.78	95.68	95.47	95.44	95.36	90.13	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1831.5	1840.1	1856.4	1867.9	1887.7	1695.3	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	170.9	171.4	171.2	170.8	172.2	157.6	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2414.9	2420.2	2428.6	2447.5	2471.5	2162.7	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1093.16	1107.23	1111.78	1114.18	1125.66	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.06	5.04	5.01	4.98	4.94	5.68				
●Earning Yld %(full)	7.52	7.49	7.46	7.39	7.33	11.89				
●P/E Ratio(Net)(☆)	16.72	16.77	16.88	17.03	17.17	10.18				
SEAQ Bargns 4.45pm	23,160	23,237	20,304	21,996	24,036	22,422				
Equity Turnover(£m)†	-	970.56	985.33	978.32	1056.02	684.81				
Equity Bargains†	-	22,185	19,858	20,772	23,862	20,993				
Shares Traded (ml)†	-	440.4	477.8	417.9	516.3	286.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.76.

Ordinary Share Index, Hourly changes — Day's High 1834.3 — Day's Low 1812.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1834.3	1820.4	1814.9	1817.8	1819.9	1821.3	1823.6	1824.6	1820.5

FT-SE 100, Hourly changes — Day's High 2414.9 — Day's Low 2387.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2412.4	2398.0	2390.9	2392.7	2395.0	2397.7	2400.1	2396.6	2404.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1093.61 — Day's Low 1090.25

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1093.04	1091.27	1091.33	1091.42	1092.40	1092.90	1091.63

GILT EDGED ACTIVITY

Indices*	Nov 29	Nov 28
Gilt Edged Bargains	76.4	79.3
5 – Day average	84.7	88.2

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Ultramar back in focus

TURNOVER in Ultramar expanded rapidly during a hectic trading session which saw the oil group's share price move up strongly to close 9 higher at 320p, after touching 322p, amid suggestions of an increased offer from Lasmo or a counter-bid from another energy concern. Turnover was a keen 4.6m shares.

The bid battle for Ultramar reaches its peak this week. Lasmo has until Friday to improve its offer, currently a straight one-for-one share swap. Since the bid was launched, Lasmo shares have come under increasing pressure, sliding from the 315p level to last Friday's 272p. Yesterday they edged up to 274p.

One suggestion yesterday was that a "knockout" counter-offer of 375p a share was imminent. British Gas and a number of overseas energy groups were mentioned as potential bidders.

Also widely hinted was that Lasmo was preparing to include cash as part of an increased offer; one specialist spoke of a six-for-five share swap plus 20p cash which would value Ultramar at around 330p to 340p a share. "The game is still wide open," said an oil analyst.

Drug stocks firm

Good news from pharmaceutical groups SmithKline Beecham and Glaxo benefited the stocks and enabled them to close as the best performers in the FT-SE 100 Index yesterday in spite of early weakness.

SmithKline launched its new drug Kytril in the UK and said it would cost £36 per dose. Kytril is used to treat nausea in cancer patients undergoing chemotherapy and is also available in South Africa and France.

About 50 analysts attended the launch meeting yesterday morning and most were positive. Mr Didier Cowling of Nomura Research said: "To make money in the pharmaceuticals business you have to be either best or first. Kytril is best and Glaxo's Zofran is first." SmithKline moved ahead 12 to 769p.

The perceived threat of the new drug knocked back Glaxo by 17 in the morning when volume was boosted by a line of 1m shares traded at 755p. However, the stock was subsequently helped by news that Italy had granted a product licence for Glaxo's anti-migraine treatment Imigran. The approval is for both the oral and injectable formulations, a Glaxo statement said.

The news did little to excite UK buyers, but when Wall Street opened US investors turned the stock around and it closed a net 17 stronger at 779p, with volume reaching 4.3m shares. It was also a good performer against a dull market in New York, where it is dealt in the form of American Depositary Receipts.

ICI downgrade

A reduced profits forecast and change of stance on the shares of ICI by securities house Smith New Court brought the stock down 17 before it rallied to close a net 7 off at 1207p.

Smith cut its 1991 estimate by £50m to £850m and its 1992 figure by £100m to £1.05bn. It also moved its recommendation on the shares from hold to sell.

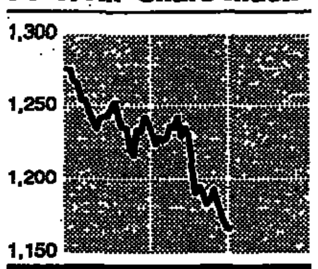
Analyst Mr Charles Lambert said he had downgraded because he expects the poor trading background to offset recent cost-cutting exercises. He also said 1991 profits would be affected by a sharp squeeze on profit margins in the group's petrochemicals and plastics markets.

However, the shares are affected by a two-way pull. On Friday, UBS Phillips & Drew, long-term bear on the stock, turned buyer and upgraded its 1992 profits prediction.

Tarmac/Steetley

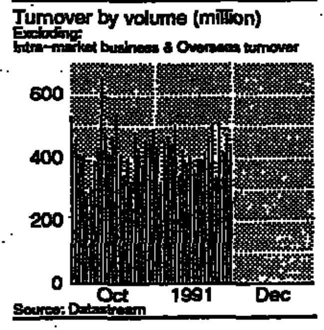
News that Tarmac and Steetley are combining their building products divisions in a joint venture, together with a dire warning from Tarmac about its housebuilding businesses, prompted heavy activity in the shares of both companies.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

Tarmac, in which 5.1m shares changed hands, was the fifth most heavily traded stock on the London market, sliding to 117p before rallying to close only 2 off at 127p. Steetley, which had touched 330p recently amid keen takeover speculation, fell to 257p before closing unchanged on the day at 269p.

Dealers said both stocks were supported after the companies spoke to building sector analysts. Some specialists said the deal favoured Tarmac but others pointed out that Steetley's gearing would be reduced from 60 per cent to 45 per cent.

Commenting on the impact of the joint venture on the building industry, Mr David Taylor at Robert Fleming said: "It is clear the brick industry is suffering from overcapacity and this looks like the first step of the industry restructuring itself."

Maxwell Communication Corporation and Mirror Group Newspapers were suspended at 36p and 125p respectively "at the request of the company pending clarification of the financial position of the Maxwell family companies and its effects on the company".

Building shares were given another rough ride in a market still suffering from the after-effects of last week's news that Y.J. Lovell will have to make £62m worth of provisions and will probably breach its banking covenants.

Lovell plummeted further yesterday, closing 8 lower at 24p; as recently as last spring Lovell shares were changing hands in excess of 200p.

Worries about dividend cuts or omissions and, even worse, of housebuilders going bust, triggered flurries of selling pressure across the board.

Taylor Woodrow, which has a near 5 per cent stake in Lovell, acquired last summer, fell to 136p before closing only a shade off at 145p. Costain dropped to 44p prior to rallying to end a difficult session 4 off at 50p; earlier this year Costain shares were traded at 221p. Wimpey, after widespread reports that it is looking to sell its investment property portfolio, slid to 125p before settling 5 down at 130p. Other casulaties included John Mowlem, 11 weaker at 193p, and Barratt Developments, 5 cheaper at 56p.

Redland lost 16 to 455p and Ibstock Johnsen 3 to 70p, with specialists pondering the possibility of further moves in the UK brick industry.

Troubles in the building industry, coupled with continuing worries over interest rates, again depressed the property sector. Percy Bilton dipped 4 to 487p and Frogmore Estates 6 to 338p.

Star performer Airtours turned in full-year profits ahead of even the market's best expectations at £27.5m, with the dividend of 23p exceeding most forecasts by some 8p. A number of houses have revised their forecasts for next year. UBS Phillips & Drew has raised its estimate by £2m to £35m, while BZW is forecasting a similar amount, £3m above its previous figure.

Although the shares advanced 17 to 923p at one stage, profit-taking left them a shade off on balance at 905p.

Rank Organisation extended its decline as the hangover from last week's downgrade by Smith New Court continued. It closed 13 lower at 632p.

A negative view from one securities house prompted Reckitt & Colman to fall sharply in early trading. UBS Phillips & Drew cut its profits estimate on the company and the shares closed 17 down at 624p.

UBS is also cautious on the longer term growth of the health and household products group. It argues that it will be between 10 and 12 per cent, rather than 15 per cent, over the next 5 years and the price/earnings ratio of 14 times is now over-rated.

A squeeze continued in British Aerospace and the shares gained a further 9 to 330p. Turnover reached 1.5m. Bargain hunters helped Lucas Industries regain 5 to 117p after Friday's fall which followed a downgrading from Hoare Govette.

Last week's developments at Y.J. Lovell continued to unsettle building related stocks. Trafalgar House slipped 7 to 203p in front of today's results. P & O weakened 18 to 421p.

Harrison Industries jumped 39 to 98p after announcing a £14m recommended offer for the company from Antares Group, valuing Harrison at 115p a share.

Turnover at Casket soared to 41m as the shares eased to 23p. The company's broker successfully placed 20m shares.

MARKET REPORTERS:
Peter John, Joel Kibazo, Chris Price, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 28.

Page 28.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (9).
BRITISH FUNDS (1) Treas. 2pc I-L 1992, CONTRACTING & CONSTRUCTION (1) Gleeson (M J), FOOD MANUFACTURING (1) Borthwicks, FOOD RETAILING (1) Park Food, HOTELS & LEISURE (2) Airtours, Owners Abroad, MISCELLANEOUS (1) Le Creuset, TRANSPORT (1) P & O 5½pc Pfd., MINES (1) Middle Witwatersrand.
NEW LOWS (96).
AMERICANS (3) Bethlehem Steel, IBM, Texas Instrs., BANKS (1) TSB, BUILDING MATERIALS (8) BPB Inds., Blue Circle 7⅝pc Pf., Ibstock Johnsen, Pilkington, RMC, Redland, Steetley, Tarmac, BUSINESS SERVICES (2) Penna, Leigh Interests, CONGLOMERATES (3) Gleves, Melville, Trafalgar Hse. A, CONTRACTING & CONSTRUCTION (15) AMEC, Do. 6½p Pf., Bryant, Costain, Graham Wood, Higgs & Hill, Laing (J), Do. A, Lilley, Lovell (Y.J), Mowlem (J), Taylor Woodrow, Westbury, Westminster Scaffolding, Wimpey (G), ELECTRICALS (4) BICC, Fujitsu, Oxford Instrs., Sony, ELECTRONICS (2) AB Electronic, Amstrad, ENGINEERING AEROSPACE (1) Rolls-Royce, ENGINEERING GENERAL (3) Elliott (B), Simon Eng., Willaire Pf., HOTELS & LEISURE (1) Pickwick, INSURANCE COMPOSITE (4) Comm. Union, General Accident, Royal Insce., Sun Alliance, INSURANCE LIFE (1) London & Manchester, INVESTMENT TRUSTS (12) Abtrust New Dawn B Warrants, CST Emerging Asia Warrants, City of Oxford Warrants, Drayton Eng. & Intl., Do. Warrants, Electra, Eng. & Caledonian, Jove, Merlin Intl. Green Warrants, Murray Split Capital, TR Prop., Welsh Indl., MEDIA (3) Black (A & C), Midlands Radio, TV-am, METAL & METAL FORMING (1) Glynwed, MISCELLANEOUS (3) Christies Intl., Levercrest, RPS, MOTORS (3) GKN, Lucas Inds Warrants, T & N, OIL & GAS (1) LASMO, OTHER FINANCIAL (6) Cambridge, FNFC 8.3pc Pf., JF Pacific Warrant, Do. Warrants, Japan OTC, South Amer. Fd., OTHER INDUSTRIAL MATERIALS (1) Whitecroft, PACKAGING, PAPER & PRINTING (2) Buhrmann-Tetterode, Serif Cowells, PROPERTY (10) Cap. & Counties 5¾pc Pf., Chesterfield, Gt. Portland, Hammerson A, London Merchant 7¼pc Ln. 2000-05, London Securities 8¼pc Pf., MEPC, Ossory Ests., Palmerston, Peel, STORES (3) Bentalls, Clinton Cards, French Connection, TEXTILES (1) Lowe (RH), TRANSPORT (2) P & O Defd., Do. Sub. Warrants 1988-92.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	163	313	-5
ASDA Group	5,000	38	-1
Abbey National	1,000	269	+1
Albert Fisher	350	86	-1
Allied-Lyons	2,200	582	-3
Amstrad	850	28	-1
Anglian Water	1,800	334	-3
Argos	1,100	282	+5
Argyll Group	4,800	288	+2
Arjo Wiggins	384	363	
[illegible]			
British Land	591	281	
BP	2,700	304	+2
British Steel	10,000	73½	
British Telecom	2,800	350	-3
Bunzl	513	79	-3
Burmah Castrol	288	541	-2
Burton	3,500	38½	-½
Cable & Wire	1,100	546	+2
Cadburys	992	401	-5
Calor Group	0	234	+2
Carlton Comms.	135	468	-7
Coats Viyella	2,100	168	-2
Comm. Union	370	433	+6

	Volume 000's	Closing Price	Day's change
Cookson	572	168	+2
Courtaulds	660	465	+2
Dalgety	245	372	-1
De La Rue	186	438	-3
Dixons	919	206	-2
ECC Group	420	433	-15
Eastern Elect.	1,400	229	+1
East Midland Elect.	87	236	-2
Enterprise Oil	423	501	-5
Eurotunnel Units	182	380	-13
[illegible]			
IMI	37	213	-3
ICI	881	1,202	-7
Inchcape	714	398	+1
Kingfisher	758	482	+2
Ladbroke	2,000	236	
Land Securities	1,100	481	-1
Laporte	128	583	-6
Legal & General	507	364	+1
Lloyds Abbey	280	346	-7
Lloyds Bank	1,300	364	-1
LASMO	548	276	+4
London Elect.	230	239	-3
Lonrho	1,100	220	-2

	Volume 000's	Closing Price	Day's change
Lucas	1,700	117	+5
MB Caradon	143	298	-3
MEPC	1,000	440	
Manweb	282	298	-2
Marks & Spencer	2,000	277	+1
Maxwell Comms	0	35	-1
Midland Bank	478	212	-2
Midlands Elect.	207	252	
NFC	253	212	-4
NatWest Bank	2,900	285	-3
[illegible]			
Reuters	740	883	-12
Rolls Royce	1,300	121	-3
Rothmans	189	1042	-6
Ryl Bk Scotland	451	165	-1
Royal Insurance	1,600	267	-1
Saatchi	2,000	12¾	
Sainsbury	1,300	343	-3
Scottish & New	998	398	+2
Scot. Hydro-Elect.	543	101	+1
Scottish Power	1,300	100½	+½
Sears	1,700	97	
Sedgwick	455	210	
Seeboard	126	250	-3

	Volume 000's	Closing Price	Day's change
Severn Trent Water	656	304	-1
Shell Transport	1,200	485	-1
Siebe	538	463	-3
Slough Ests	102	235	+2
Smith (W H) A	616	455	+2
Smith & Nephew	2,100	133½	-½
SmKl Beecham	1,300	769	+12
SmKl Beecham Uts	73	[illegible]	
Smiths Inds	153	243	-2
Southern Elect.	845	244	-2
[illegible]			
Unilever	892	824	-3
United Biscuits	803	374	-7
Utd. Newspapers	181	373	-5
Vodafone	2,700	353	-2
Wellcome	756	833	-4
Welsh Water	612	346	-4
Wessex Water	225	384	-1
Whitbread 'A'	431	421	-2
Williams Hldgs	870	301	-3
Willis Corroon	712	246	-1
Wimpey	905	130	-5
Yorkshire Elect.	387	281	
Yorkshire Water	1,100	365	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

FOOTSIE futures fell early in the session following a decision by two leading houses to reduce their holdings. The December contract opened cautiously, dealers reporting some sporadic selling but very few buyers, writes Joel Kibazo.

A wave of selling was, however, triggered by two leading houses which had taken on long positions ahead of the weekend, sending the Footsie contract lower.

Institutional support was, however, seen around the 2,400 levels and buying in the afternoon had developed into a squeeze by the close, reducing December's earlier falls.

The December contract closed at 2,427, two points ahead of its estimated fair value premium to cash. The day's turnover was good at 8,319.

In traded options, most of the action centred on the FT-SE options. Total turnover reached 38,250, with the FT-SE options accounting for 19,447 contracts. Dealers said the bulk of that total was made up of a "put spread" bearish trade done by several houses.

However, dealers reported more bullish trading in the Euro FTSE contract, which traded 6,790 lots. Among individual stock options, P & O, Sears and Hanson were busy.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8pc 1991		[illegible]xd	—	[illegible]	[illegible]	8.02	10.12
2¾pc 1992‡‡		[illegible]	—	101½	[illegible]	12.72	10.27
[illegible]							
9pc 1992-96‡‡		[illegible]		[illegible]	[illegible]	9.17	9.55
15¼pc 1996‡‡		[illegible]		[illegible]	[illegible]	12.98	10.24
Exch 13¼pc 1996‡‡		[illegible]		[illegible]	108	11.96	10.19
Conversion 10pc 1996		[illegible]		[illegible]	[illegible]	9.98	9.85
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		[illegible]		[illegible]	[illegible]	11.84	10.19
Exch 10½pc 1997		[illegible]		[illegible]	[illegible]	10.30	10.00
Treas 8¾pc 1997‡‡		[illegible]		[illegible]	[illegible]	9.22	9.92
Exch 15pc 1997		[illegible]		[illegible]	117	12.45	10.28
9¾pc 1998		[illegible]		[illegible]	[illegible]	9.87	10.02
Treas 6¾pc 1995-98‡‡		[illegible]		[illegible]	[illegible]	7.72	9.41

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
15½pc '98‡‡		[illegible]	-¼	[illegible]	[illegible]	12.33	10.18
Exch 12pc 1998		[illegible]		[illegible]	[illegible]	10.98	10.11
Treas 9½pc 1999‡‡		[illegible]		[illegible]	[illegible]	9.68	9.67
Exch 12¼pc 1999		[illegible]		[illegible]	[illegible]	11.08	10.13
Treas 10½pc 1999		[illegible]		[illegible]	[illegible]	10.25	10.03
Conversion 10¼pc 1999		[illegible]		[illegible]	[illegible]	10.12	10.02
[illegible]							
8pc 2009		[illegible]		[illegible]	[illegible]	9.32	9.67
Conv 9pc Ln 2011‡‡		[illegible]		[illegible]	[illegible]	9.66	9.67
9pc 2011 A		[illegible]		[illegible]	[illegible]	9.51	9.68
9pc 2011 B		[illegible]		[illegible]	[illegible]	9.58	9.66
Treas 5½pc 2008-12‡‡		[illegible]		[illegible]	[illegible]	8.69	9.61
7¾pc 2012-15‡‡		[illegible]		[illegible]	[illegible]	9.42	9.68
Exch 12pc '13-'17		[illegible]xd		[illegible]	[illegible]	9.93	9.89
Undated							
Consols 4pc		[illegible]		[illegible]	[illegible]	8.94	—
War Loan 3½pc‡‡		[illegible]		[illegible]	[illegible]	8.71	—
Conv 3½pc '61 Aft		[illegible]		[illegible]	[illegible]	8.89	—
Treas 3pc '66 Aft		[illegible]xd		[illegible]	[illegible]	10.11	—
Consols 2½pc		[illegible]xd		[illegible]	[illegible]	9.93	—
Treas. 2½pc		[illegible]		[illegible]	[illegible]	10.03	—

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
Index – Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	123	[illegible]	[illegible]	[illegible]	2.69	3.65
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	[illegible]	3.41	3.97
2½pc '01	(78.3)	[illegible]	[illegible]	[illegible]	[illegible]	3.97	4.28
2½pc '03	(78.8)	[illegible]	[illegible]	[illegible]	133	4.05	4.31
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]							
Ireland Cap 8½pc '10		[illegible]		[illegible]	[illegible]	8.98	–
9pc Cap 1996		98	+⅛	99	93	9.17	–
13pc '97-02		114	—	115	109½	11.36	–
GLC 6¾pc 1990-92		[illegible]	—	[illegible]	[illegible]	6.82	9.50
Hydro Quebec 15pc 2011		129¾	[illegible]	[illegible]	[illegible]	15.8	11.31
Int-Am Dev 12½pc 2003		[illegible]	[illegible]	[illegible]	[illegible]	11.09	10.49
9¾pc 2015		[illegible]	[illegible]	[illegible]	[illegible]	10.37	10.44
Leeds 13½pc 2006		115½	-1½	119½	110½	11.69	11.32
Liverpool 3½pc Irred		30	—	31	28	11.67	–
LCC 3pc '20 Aft		27	—	27½	26	11.11	–
Manchester 11½pc 2007		102½	—	105½	97½	11.27	11.17
Met. Wtr. 3pc 'B'		52	—	53	52	5.77	10.10
N'wide Anglia 3⅞pc 2021		188	—	[illegible]	102	–	5.41
4¼pc IL 2024		105	—	107¾	104	–	5.15
Sth Rhod 87-92 Assd		98½	—	98½	84½	4.62	–
Utd Mex States 16½pc 2008		123	-1½	125	101	13.33	13.08

APPOINTMENTS

Non-executive directors

■ Hugh Mellor is adding to his non-executive directorships by joining HARRISON & CROSFIELD.

■ Ralph Temple, a former md of Tesco, and Edward Hagan have been appointed non-executives of SHEAFBANK PROPERTY TRUST; Michael Deakin, an executive director, and Stephen Hinchliffe, a non-exec, have resigned.

■ Handel Leonard has been appointed non-executive joint deputy chairman of J O WALKER.

■ Michael Dowdall has been appointed a non-executive of BPB INDUSTRIES; Aidan Creedon has retired.

■ Martin Storey is appointed a non-executive of BRITISH FITTINGS.

■ David Frith is appointed non-executive chairman of KEMBREY; he succeeds Bob Jakeways who became chairman temporarily when Robert Burns resigned.

■ John Barton and Joseph Hughes have become non-execs of SIACI; Claude Chouraqui and Eric de Rothschild non-execs of JIB Group. This follows cross-shareholdings between the two groups.

■ Nicholas Roskill, who is shortly to retire from Morgan Grenfell, has been appointed a non-exec of the NEW THROGMORTON TRUST and the THROGMORTON DUAL TRUST.

■ HARRY RAMSDEN'S has appointed two non-execs: David Kinloch, a director of Caledonia Investments which is a stakeholder in the company, and Graham Parr, md of Pontin's. Another non-exec, Charles Sherwood, has resigned.

■ Donald Parvin, former group chief executive of Matthew Hall, has been appointed non-executive chairman of HENRY BARRETT on the retirement of Guy Barrett after 44 years with the company.

■ Tom Weatherby has been appointed non-executive chairman of The HOPKINSONS Group on the retirement of Peter Frost.

Walsh goes back to work

At an age when most people are retiring, Arthur Walsh, the former chairman of computers and telecommunications group, STC, has embarked on a new career.

Walsh, who turned 65 in August, recently snapped up two chairmanships: NATIONAL TRANSCOMMUNICATIONS, the newly-privatised TV and radio transmission company now owned by Mercury Asset Management; and TELEMETRIX, the electronics group whose main shareholder is the South African electricals group, Altron.

Walsh has also become a director of FKI, the electrical engineering group.

The hallmark of Walsh's management style is common sense and the avoidance of grand gestures.

At the height of GEC's bitter battle to buy Plessey in 1989, he returned from his sick bed to scotch a wild plan for STC and a consortium of other companies – known as Metsun – to launch a counter-bid for GEC.

But Walsh is perhaps best-known as the man who sold the ICL computer business to Japan's Fujitsu and then sold the STC telecommunications business to Canada's Northern Telecom.

At the time, he said one should not be macho about keeping industry in British hands.

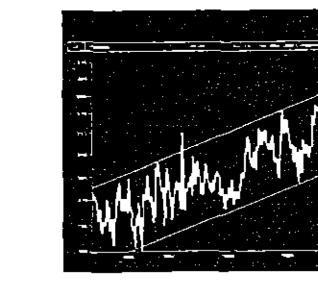
Walsh, whose new activities effectively amount to doing a full-time job, explains that he wanted to find something to do apart from gardening.

Harvard buddy for WPP

WPP chairman Martin Sorrell is strengthening the board of the world's largest marketing services group by appointing one of his old business school chums, Stanley (Bud) Morten, as a non-executive director.

Bud Morten, aged 48, is director of the equity services division of Wertheim Schroder, one of WPP's two US merchant banking advisers. Morten and Sorrell overlapped at Harvard Business School and worked together closely when Wertheim Schroder advised WPP on the £500m purchase of the Ogilvy Group in 1989.

WPP, which employs over 22,000 people, is struggling to recover from a period of over-ambitious expansion. Some institutions have been critical of Sorrell's management and WPP has responded by bringing in more outside directors. Paul Judge, who made a £45m fortune after organising the Premier Brands buy-out from Cadbury Schweppes in 1985, joined the board in June. Like Sorrell, Judge went to Cambridge and the two men have been involved in fund-raising for their alma mater.



LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	32$\frac{7}{16}$xd	-$\frac{1}{16}$	34$\frac{5}{8}$	20$\frac{7}{8}$	13,836	1.7
♥Allegheny & W	233p	—	385p	218p	121.1	7.2
Amdahl	783pxd	-7	19$\frac{1}{8}$	667p	778.8	0.8
Amer Cyanamid	30$\frac{3}{16}$	-$\frac{11}{16}$	42$\frac{1}{8}$	25$\frac{1}{4}$	2,836	2.8
Amer Express	18$\frac{5}{8}$xd	—	17$\frac{7}{8}$	9$\frac{11}{16}$	4,999	5.3
Amer T & T	28$\frac{1}{2}$xd	+$\frac{1}{8}$	24$\frac{1}{2}$	15$\frac{1}{4}$	26,776	3.6
Ameritech	33$\frac{9}{16}$	-$\frac{11}{16}$	38$\frac{7}{8}$	32$\frac{1}{2}$	14,894	5.7
Bank America	17$\frac{1}{2}$xd	-$\frac{1}{2}$	26$\frac{5}{16}$	12$\frac{7}{16}$	3,884	3.9
Bankers NY	33$\frac{13}{16}$xd	-$\frac{5}{8}$	38$\frac{3}{16}$	20$\frac{1}{16}$	2,761	8.1
Bell Atlantic	25$\frac{1}{2}$xd	-$\frac{1}{8}$	38$\frac{1}{2}$	24$\frac{1}{4}$	10,828	5.6
BellSouth	26$\frac{1}{4}$	—	31$\frac{1}{4}$	25	12,732	5.9
♥Bethlehem Steel	6$\frac{3}{16}$xd	-$\frac{3}{16}$	11$\frac{1}{4}$	6$\frac{3}{16}$	480.8	3.6
Bowater	1146p	+3	1699p	1046p	411.6	5.9
CPC	45$\frac{7}{8}$xd	+$\frac{7}{16}$	54$\frac{13}{16}$	37$\frac{11}{16}$	3,467	2.4
California Engy	831p	+16	930p	420p	151.3	—
Campbell Soup	43$\frac{11}{16}$xd	-$\frac{5}{8}$	50	28$\frac{1}{4}$	5,492	1.9
Chase Manhattan	8$\frac{7}{16}$	-$\frac{3}{16}$	12$\frac{3}{4}$	5$\frac{3}{16}$	1,135	8.2
Chrysler	6$\frac{1}{2}$xd	-$\frac{1}{8}$	9$\frac{3}{16}$	5$\frac{1}{2}$	1,863	5.2
Citicorp	5$\frac{15}{16}$xd	—	18$\frac{3}{8}$	5$\frac{7}{8}$	2,039	—
Colgate-Palm	28$\frac{1}{4}$xd	—	26$\frac{5}{8}$	21$\frac{1}{16}$	3,418	2.5
Cont'l Bank	485p	-12	928p	438p	498.1	6.9
Dana	14$\frac{3}{16}$xd	-$\frac{1}{8}$	21$\frac{5}{8}$	13$\frac{13}{16}$	578.8	6.4
Data General	881p	-51	1282p	203p	221.8	—
Dial	24$\frac{7}{16}$xd	+$\frac{1}{16}$	25$\frac{5}{8}$	12$\frac{7}{8}$	970.3	3.2
Dun & Brad	27	-$\frac{3}{8}$	29$\frac{5}{8}$	20$\frac{3}{4}$	4,828	4.5
Eaton	31$\frac{7}{8}$	-$\frac{3}{4}$	48	24$\frac{1}{4}$	1,883	3.9
Echlin	5$\frac{11}{16}$xd	-$\frac{1}{4}$	8$\frac{1}{2}$	5$\frac{1}{2}$	319.2	6.9
FPL	19$\frac{1}{2}$xd	—	20$\frac{1}{2}$	14$\frac{1}{16}$	3,305	6.9
Fluor	20$\frac{7}{8}$xd	+$\frac{1}{4}$	38$\frac{1}{16}$	17$\frac{1}{16}$	1,699	0.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

* Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

‡‡Ivernia West I£	48	+1	81	30	15.2	—
‡‡Kells Mins I£	38	—	48	33	0.94	—
‡Kenmare	6½ xr	—	25	6½	6.24	—
‡‡Navan Res I£ n	16	–2	28	15	0.87	—
Northgate Expl C$ s	55	—	99	47	0.94	—
North West Expl A$	6	—	16	5	2.02	—
Oryx Gold $	129	+1	188	82	—	—
‡‡Ovoca Gold I£	11	—	23	10	0.77	—
Plateau	16	—	44	16	2.99	—
■RTZ	506	–8	685	404	5,044	5.1
♥Thorco Res.	6½	—	11	3¼	—	—
‡Vizcaya	2½	—	10	2	1.34	—
♥Western & Pac C$	23½	—	162	20	12.9	—
‡Young Grp	108	—	133	108	10.1	6.4

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks which are quoted on SEAQ International
● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
‡ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
¥ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
◆ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
r Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other offical estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other offical estimates for 1991.
K Yield based on prospectus or other offical estimates for 1990
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1991-92.
N Yield based on prospectus or other offical estimates for 1989-90
P Figures based on prospectus or other offical estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service.

Additions:
Drayton Recovery Trust Ord & Pfd (Section, Investment Trusts)
Dumas (Food)
English & Scottish Invs Warrants (Investment Trusts)
Kearfold (Packaging, Paper & Printing)
South Staffordshire Water (Water)

Deletions:
Antares (Oil & Gas)
Central Capital (Canadians)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilts & Fixed Int	6	114.0	114.0	121.0	-2.0	9.50
High Inc Equity	6	123.6	126.8xd	134.8	-2.2	6.31
Worldwide Bond	6	210.8	210.8xd	223.4	-0.5	6.71
Capital Growth						
American Growth	6	192.1	192.1	205.2	-2.9	1.09
Asian Pacific	6	117.4	119.8	127.4	-2.3	1.23
Assets & Earnings	6	172.0	175.5xd	186.7	-2.4	3.21
Capital Reserve Acc	0	110.5	110.5	110.5		6.86
Capital Reserve Inc	0	87.36	87.36	87.41	+0.01	6.86
Cmdty & Energy	6	73.09	73.09	78.17	-2.24	1.74
1992 Enterprise	6	62.62	62.62	66.97	-2.08	3.08
Euro Capital Acc	6	82.60	82.60	88.34	-1.97	1.18
Euro Capital Inc	6	78.92	78.92	84.40	-1.89	1.18
General	6	163.0	163.0	174.3	-5.4	2.87
Japan	6	90.18	91.24xd	97.06	-2.80	-
Mastertrust	6	86.39	86.39	92.39	-2.48	2.77
UK Growth Acc	6	168.6	175.8	187.0	-1.1	2.13
UK Growth Dist	6	107.2	111.7xd	118.8	-0.7	2.17
US Emerging Cos	6	71.15	72.38	76.99	-0.57	-
Income & Growth	6	282.3	282.3xd	301.9	-9.9	4.64
Ethical	6	52.25	53.58	56.99	-0.60	2.74
International	6	59.35	60.13	63.96	-1.28	1.38
Dividend & Growth	6	46.32	47.49	50.52	-0.86	5.94
Global Gwth & Sec	6	52.48	52.71	56.07	-0.21	3.10
Aberforth Unit Trust Managers Ltd (1600)F						
16 Chester St, Edinburgh EH3 7RA 031 220 0733						
UK Small Cos	0	1105.0	1105.0	1159.0		0
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, Inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Sovereign Unit Tst Mngrs Ltd (1000)F

12 Christchurch Rd, Bournemouth 0202 298422

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.79	49.79xd	50.29	+0.03	10.6
Cnrt'ld Petrance	5½	47.82	48.09	51.30	-0.14	9.38
Ethical	5½	47.03	47.99	51.01	-0.70	4.98
European Growth	5½	45.34	45.24	48.26	-0.29	3.2
Income	5½	44.54	44.98	47.98	-0.41	7.96
Intl Growth	5½	61.03	61.15	65.23	-1.09	3.49
Managed	5½	55.19	55.19	58.87	-1.02	4.82
UK Growth	5½	47.96	48.53	51.77	-0.87	4.03

Standard Chartered Equitor (1200)F

69 Old Broad Street, EC2M 1QS 071-280 6521

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Exempt Acc	3	183.8	184.1	193.8	-1.9	3.17
Do Income	3	175.4	177.6	185.0	-1.8	3.17

Standard Life Tst Mgmt Ltd (0629)H

3 George St, Edinburgh EH2 2XZ 0800 393777

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital Nov 28	480.30	483.83	—	2.92
Gross Nov 28	179.55	180.97	—	10.78
High Yield Nov 28	279.39	281.62	......	7.81

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pension Mngd	50.17	52.27	-0.18	3.97

INVESCO MIM Management Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1117.0	1205.0	......	-
Mngd Pens (Acc)	65.1	69.4	......	-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Sept 5	£2440.0	2680.0	—	6.00
Inc Gth Prp Apr 16	£1375.0	1460.0	—	7.20

Lazard Investors Ltd

Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Nov 29	£3971.5	4143.4	—	3.94
European Nov 29	£535.2	541	—	2.10
American Nov 29	£331.7	355.5	—	2.42
Japan Nov 29	£477.4	483.0	—	1.35
Pacific Nov 29	£136.8	140.5	—	1.97

INSURANCES

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL

Guardian Royal Exchange

Royal Exchange, EC3 071-283 7101

Legal & General – Contd.

Unit Pensions

Kingswood, Surrey, KT20 6TH 0737 370370

Manulife Group – Contd.

Pension Fund Prices

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	103.7	109.2	....	-
Pension Managed Fd	101.1	106.4	....	-
Life Deposit Fd	110.9	116.8	....	-
Pension Deposit Fd	117.7	123.9	....	-

For National Fin see Target Life

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422
Harvester Pension Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	165.2	173.9	....	-
UK Equity	173.2	182.4	....	-
Overseas Equity	131.0	137.9	....	-
Fixed Interest	154.3	162.5	....	-
Property	132.9	139.9	....	-
Index Linked	152.1	160.2	....	-
Deposit	164.4	173.1	....	-
With Profits (B)	134.5	141.6	....	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	340.7	358.7	-2.8	-
UK Equity	424.4	446.8	-5.2	-
Overseas Eq	326.0	343.2	-4.5	-
Americas	275.1	289.6	-3.1	-
Far East	347.3	365.6	-7.4	-
Property	194.3	204.6	....	-
Fixed Int	271.4	285.7	-0.6	-
Indexed Gilt	161.1	169.6	-0.4	-
Deposit	188.2	198.2	+0.2	-
With Profit	105.3	110.8	+0.1	-
Pension Fund (Accum Units)				
Managed	491.7	517.6	-4.0	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	214.4	226.2	-2.0	-
UK Fixed Int Acc	188.9	199.3	-0.2	-
Intl Equities Acc	162.1	171.0	-3.0	-
UK Managed Acc	167.9	177.1	-1.4	-
Property Acc	224.5	236.9	....	-
Money Acc	134.0	141.4	+0.1	-
Special Market Acc	143.7	151.6	-2.0	-
Japan Equity Acc	93.0	98.2	-2.7	-
North American Acc	96.5	101.8	-1.4	-
Pacific Acc	90.6	95.6	-1.9	-
Technology Acc	115.5	121.9	-0.7	-
Nat Resources Acc	57.6	60.8	-0.3	-
European Acc	94.9	100.2	-1.2	-
Residential Prop Acc	90.6	95.6	....	-
Swiss Equities Acc	31.4	33.2	-0.7	-
Hong Kong Acc	66.6	70.3	+2.7	-
UK High Inc Eq Acc	69.3	73.2	-0.7	-
Int Fixed Interest Acc	60.5	63.9	-0.3	-
Int Managed Acc	53.9	56.8	-0.7	-
HIP Managed Acc	114.2	120.4	-1.2	-
HIP Managed II Acc	98.7	104.1	-0.8	-
HIP Managed III Acc	105.9	111.7	-1.0	-
Total Investment Bond				
UK Equity Initial		145.4	-1.3	-
UK Fixed Int Initial		128.3	-0.1	-
Intl Equities Initial		109.3	-1.9	-
UK Managed Initial		114.0	-1.0	-
Property Initial		153.5	....	-
Money Initial		91.4	-1.5	-
Special Market Initial		111.2	-2.0	-
Japan Equity Initial		72.0	-2.0	-
North American Initial		74.7	-1.0	-
Pacific Initial		70.1	-2.4	-
Technology Initial		89.4	-0.5	-
Nat Resources Initial		44.6	-0.2	-
European Initial		84.9	-1.0	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark up on rate speculation

THE D-Mark flexed its muscles again yesterday as speculation mounted that the Bundesbank may raise German interest rates at its council meeting on Thursday.

Frankfurt money market rates, which had begun to move higher on Friday, were given a further boost after Bundesbank president Mr Helmut Schlesinger said inflationary pressures would keep an upward pressure on interest rates.

Within the ERM, the D-Mark and its close monetary neighbours – the Belgian franc and Dutch guilder – strengthened against the weaker currencies. The D-Mark's lead over sterling – the weakest in the system – rose to 3.28 per cent from 2.64 per cent. The German currency also posted gains against the dollar and yen.

Against two of the weaker ERM currencies – the French franc and the Italian lira – the D-Mark advanced towards the levels at which central banks were recently forced to defend their currencies. It rose to L754.25 from L753.30 and to FFr3.4175 from FFr3.4150.

According to Mr Larry Anderson, executive director of Deutsche Bank Capital Markets, the Bundesbank will lift the Lombard rate by ¼ point to 9¼ per cent at its meeting.

He added: "That will send a signal to unions and employers that it wants to avoid a wage/price spiral developing. But once the dust settles, money market rates are unlikely to be much different from now, so the effect on the rest of the ERM will not be that great."

Sterling declined against the D-Mark, but remained comfortably above the DM2.84 level at which the Bank of England was forced to step in and defend the pound last week. It closed at DM2.8585 from DM2.8700 and remained at the bottom of the ERM, but firmed to $1.7765 from $1.7650. In New York, sterling eased to $1.7730.

The US currency fell to DM1.6035 before recovering slightly to end at DM1.6090 from DM1.6265. It slipped to Y129.95 from Y130.05, but was supported by the yen's weakness after the Tokyo share market drop. In New York the dollar improved to DM1.6123.

The dollar appeared to brush aside the November purchasing managers survey, which was weaker than anticipated and indicated that manufacturing output stalled last month. Instead, some modest dollar buying helped the US currency rebound from its lows.

The foreign exchanges now seem to be waiting for the Bundesbank meeting, and the November US employment report due on Friday, and are content to let the dollar hold in range until then.

However, the purchasing managers survey gives little encouragement to some recent suggestions that the US economy is beginning to recover.

Mr Michael Feeny, analyst at Sumitomo Bank, said the survey "showed a weak picture of the economy. Production slumped and employment was bad. It points to poor employment figures on Friday and leaves room for an easing by the Federal Reserve."

£ IN NEW YORK

Dec 2	Close	Previous Close
£ Spot	1.7725-1.7735	1.7670-1.7680
1 month	0.88-0.87pm	0.81-0.80pm
3 months	2.52-2.49pm	2.45-2.42pm
12 months	9.29-9.22pm	8.90-8.83pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.2	Previous
8.30 am	90.6	90.5
9.00 am	90.6	90.4
10.00 am	90.6	90.4
11.00 am	90.6	90.4
Noon	90.6	90.5
1.00 pm	90.6	90.6
2.00 pm	90.5	90.6
3.00 pm	90.5	90.6
4.00 pm	90.6	90.6

CURRENCY MOVEMENTS

Dec 2	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.6	-21.3
U.S Dollar	63.0	-15.9
Canadian Dollar	105.7	+2.9
Austrian Schilling	110.2	+12.2
Belgian Franc	112.0	-1.6
Danish Krone	109.1	+3.2
D-Mark	119.1	+25.3
Swiss Franc	109.4	+17.9
Dutch Guilder	114.8	+16.5
French Franc	103.2	-13.0
Lira	98.9	-19.9
Yen	140.1	+73.9

Morgan Guaranty changes. average 1980-1982=100 Bank of England Index (Base Average 1985=100). **Rates are for Nov 27

CURRENCY RATES

Dec 2	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.782582	0.713258
U.S Dollar	5.00	1.38791	1.26746
Canadian $	8.17	1.57805	1.43603
Austrian Sch	7.50	15.7347	14.3426
Belgian Franc	8.00	46.0162	41.9719
Danish Krone	9.50	8.68485	7.92416
D-Mark	7.50	2.23495	2.03744
Dutch Guilder	8.00	2.51725	2.29638
French Franc	10¼	7.63767	6.96216
Italian Lira	11½	1686.07	1538.06
Japanese Yen	5.00	179.526	164.643
Norway Krone	8	8.79199	8.02302
Spanish Peseta	-	142.391	129.917
Swedish Krona	10.00	8.18312	7.46534
Swiss Franc	7.00	1.97916	1.80423
Greek Drach	19	N/A	232.186
Irish Punt	-	N/A	0.764590

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Nov 27

OTHER CURRENCIES

Dec 2	£	$
Argentina	17588.3 - 17625.9	9900.00 - 9910.00
Australia	2.2645 - 2.2665	1.2755 - 1.2765
Brazil	1493.40 - 1494.50	840.350 - 840.500
Finland	7.7235 - 7.7365	4.3520 - 4.3550
Greece	323.050 - 328.200	181.800 - 184.710
Hong Kong	13.7705 - 13.7835	7.7600 - 7.7620
Iran	117.00*	66.00*
Korea(Sth)	1328.90 - 1350.30	750.00 - 759.00
Kuwait	0.51255 - 0.51325	0.28420 - 0.28450
Luxembourg	58.75 - 58.85	33.05 - 33.15
Malaysia	4.8800 - 4.8880	2.7500 - 2.7520
Mexico	5402.50 - 5409.00	3040.00 - 3042.00
N Zealand	3.1505 - 3.1540	1.7740 - 1.7760
Saudi Ar	6.6180 - 6.6945	3.7495 - 3.7505
Singapore	2.9420 - 2.9490	1.6595 - 1.6615
S.Af (Cm)	4.9420 - 4.9535	2.7900 - 2.7915
S.Af (Fn)	5.3575 - 5.4400	3.0165 - 3.0630
Taiwan	45.65 - 45.75	25.70 - 25.80
U.A.E.	6.4800 - 6.5570	3.6715 - 3.6735

*Official rate. Floating rate £-2505.0 $-1418.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 2	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.917	-2.78	5.27	48
Belgian Franc	42.4032	41.9719	-1.02	3.40	43
D-Mark	2.05586	2.03744	-0.90	3.27	49
Dutch Guilder	2.31643	2.29638	-0.87	3.24	37
Irish Punt	0.767417	0.764590	-0.37	2.73	11
Italian Lira	1538.24	1538.06	-0.01	2.36	-5
French Franc	6.89509	6.96216	0.97	1.36	-60
Danish Krone	7.84195	7.92416	1.05	1.28	-53
Sterling	0.696904	0.713258	2.35	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Dec 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7760 - 1.7795	1.7760 - 1.7770	0.88-0.86cpm	5.88	2.51-2.48pm	5.62
Canada	2.0125 - 2.0175	2.0150 - 2.0160	0.58-0.54cpm	3.33	1.54-1.48pm	3.00
Netherlands	3.2175 - 3.2275	3.2175 - 3.2275	¾-¼cpm	0.93	¾-½pm	0.78
Belgium	58.75 - 59.05	58.75 - 58.85	10-5cpm	1.53	17-12pm	0.99
Denmark	11.0900 - 11.1300	11.0900 - 11.1000	1¾-1orepm	1.28	3-2¼pm	0.95
Ireland	1.0705 - 1.0740	1.0720 - 1.0730	0.05-parcpm	0.28	0.10-parpm	0.19
Germany	2.8550 - 2.8625	2.8550 - 2.8600	¾-½pfpm	1.05	¾-½pm	0.87
Portugal	253.25 - 255.20	254.20 - 255.20	6-26cdis	-0.75	57-123dis	-1.41
Spain	181.80 - 182.60	182.30 - 182.60	30-37cdis	-2.20	85-98dis	-2.01
Italy	2153.00 - 2159.25	2157.50 - 2158.50	3-5liredis	-2.22	9-10dis	-1.76
Norway	11.2325 - 11.2700	11.2450 - 11.2550	¾-¾orepm	0.60	1¼-½pm	0.29
France	9.7525 - 9.7875	9.7650 - 9.7750	¾-½cpm	0.77	1¾-1½pm	0.64
Sweden	10.4500 - 10.4875	10.4725 - 10.4825	1-1¼oredis	-1.29	2¾-3¼dis	-1.15
Japan	230.25 - 231.25	230.25 - 231.25	1-¾ypm	4.55	2¾-2½pm	4.44
Austria	20.08 - 20.16	20.13 - 20.16	2¼-1¼gropm	0.97	6¼-3¼pm	0.92
Switzerland	2.5250 - 2.5350	2.5250 - 2.5350	¾-½cpm	2.67	1½-1¼pm	2.17
Ecu	1.4010 - 1.4065	1.4055 - 1.4065	0.06-parcpm	0.26	0.15-0.04pm	0.27

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.95-4.90cpm . 12 Month 9.20-9.10cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7760 - 1.7795	1.7760 - 1.7770	0.88-0.86cpm	5.88	2.51-2.48pm	5.62
Ireland†	1.6510 - 1.6590	1.6535 - 1.6545	0.76-0.72cpm	5.37	2.30-2.20pm	5.44
Canada	1.1325 - 1.1345	1.1325 - 1.1335	0.20-0.23cdis	-2.28	0.68-0.73dis	-2.49
Netherlands	1.8050 - 1.8200	1.8130 - 1.8140	0.72-0.75cdis	-4.86	2.12-2.16dis	-4.72
Belgium	33.05 - 33.30	33.05 - 33.15	11.00-14.00cdis	-4.53	36.00-40.00dis	-4.59
Denmark	6.2400 - 6.2725	6.2425 - 6.2475	2.25-2.55oredis	-4.61	7.00-7.60dis	-4.68
Germany	1.6030 - 1.6140	1.6085 - 1.6095	0.64-0.65pfdis	-4.81	1.87-1.89dis	-4.67
Portugal	142.75 - 143.30	143.20 - 143.30	88-98cdis	-7.79	255-275dis	-7.40
Spain	102.30 - 102.75	102.65 - 102.75	71-74cdis	-8.47	195-202dis	-7.73
Italy	1210.25 - 1216.25	1214.50 - 1215.00	8.70-9.20liredis	-8.84	22.50-23.50dis	-7.57
Norway	6.3150 - 6.3600	6.3300 - 6.3350	2.60-2.90oredis	-5.21	8.15-8.65dis	-5.31
France	5.4800 - 5.5150	5.4975 - 5.5025	2.31-2.36cdis	-5.09	6.73-6.83dis	-4.93
Sweden	5.8750 - 5.9125	5.8950 - 5.9000	3.70-3.95oredis	-7.78	9.80-10.25dis	-6.80
Japan	129.70 - 130.05	129.90 - 130.00	0.12-0.13ydis	-1.15	0.36-0.38dis	-1.14
Austria	11.3025 - 11.3600	11.3125 - 11.3175	4.35-4.85grodis	-4.88	12.30-13.60dis	-4.58
Switzerland	1.4200 - 1.4275	1.4235 - 1.4245	0.38-0.42cdis	-3.37	1.15-1.20dis	-3.30
Ecu	1.2620 - 1.2685	1.2630 - 1.2640	0.60-0.57cpm	5.56	1.72-1.66pm	5.35

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 2	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝ - 10⅜	10⅝ - 10⅜	10¾ - 10⅝	10¾ - 10⅝	10¾ - 10⅝	10⅝ - 10⅜
US Dollar	4¾ - 4½	4¾ - 4½	5⅛ - 5⅛	5 - 4⅞	4⅞ - 4⅞	5 - 4⅞
Can. Dollar	7½ - 7⅜	7½ - 7⅜	7⅝ - 7⅜	7⅝ - 7¼	7⅝ - 7¼	7⅝ - 7¼
Dutch Guilder	9⅞ - 9⅞	9⅞ - 9⅞	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9⅞
Swiss Franc	7⅝ - 7⅜	7½ - 7⅜	8⅛ - 8⅛	8⅛ - 8⅛	8¼ - 8	8 - 7⅞
D-Mark	9¼ - 9	9⅜ - 9¼	9⅜ - 9⅜	9⅜ - 9⅜	9⅜ - 9⅛	9⅛ - 9⅜
French Franc	9⅞ - 9¾	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅝
Italian Lira	12 - 10	13½ - 13	13¼ - 12¾	12⅞ - 12¼	12⅞ - 12	12¼ - 11⅞
Belgian Franc	9⅜ - 9⅛	9⅜ - 9¼	9½ - 9⅜	9⅝ - 9½	9⅝ - 9½	9⅝ - 9⅛
Yen	6⅜ - 6¼	6⅜ - 6¼	6⅜ - 6⅜	6⅛ - 6⅛	5⅞ - 5⅞	5⅞ - 5⅝
Danish Krone	9⅛ - 8⅞	9¼ - 9	9½ - 9⅜	9⅞ - 9⅞	9⅞ - 9⅞	9⅝ - 9¼
Asian $Sing	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3⅜	3⅞ - 3⅞	4 - 3⅞	4⅛ - 4⅛

Long term Eurodollars: two years 5¼-5⅛ per cent; three years 6⅛-6⅛ per cent; four years 6¾-6½ per cent; five years 7⅛-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.776	2.857	230.7	9.770	2.530	3.222	2158	2.015	58.80	1.406
$	0.563	1	1.609	129.9	5.501	1.425	1.814	1215	1.135	33.11	0.792
DM	0.350	0.622	1	80.75	3.420	0.886	1.128	755.3	0.705	20.58	0.492
YEN	4.335	7.698	12.38	1000.	42.35	10.97	13.97	9354	8.734	254.9	6.094
F Fr.	1.024	1.818	2.924	236.1	10.	2.590	3.298	2209	2.062	60.18	1.439
S Fr.	0.395	0.702	1.129	91.19	3.862	1	1.274	853.0	0.796	23.24	0.556
N Fl.	0.310	0.551	0.887	71.60	3.032	0.785	1	669.8	0.625	18.25	0.436
Lira	0.463	0.823	1.324	106.9	4.527	1.172	1.493	1000.	0.934	27.25	0.652
C $	0.496	0.881	1.418	114.5	4.849	1.256	1.599	1071	1	29.18	0.698
B Fr.	1.701	3.020	4.859	392.3	16.62	4.303	5.480	3670	3.427	100.	2.391
Ecu	0.711	1.263	2.032	164.1	6.949	1.799	2.292	1535	1.433	41.82	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
90	4-11	4-35	0-13	0-31
91	3-18	3-50	0-20	0-46
92	2-32	3-04	0-34	1-00
93	1-52	2-28	0-54	1-24
94	1-15	1-58	1-17	1-54
95	0-53	1-29	1-55	2-25
96	0-34	1-06	2-36	3-02
97	0-21	0-52	3-23	3-48

Estimated volume total, Calls 1327 Puts 470
Previous day's open int. Calls 12697 Puts 10443

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
95	4-23	3-60	0-25	0-54
96	3-35	3-16	0-37	1-10
97	2-53	2-41	0-55	1-35
98	2-12	2-07	1-14	2-01
99	1-42	1-41	1-44	2-35
100	1-13	1-17	2-15	3-11
101	0-55	0-61	2-57	3-55
102	0-38	0-45	3-40	4-39

Estimated volume total, Calls 0 Puts 101
Previous day's open int. Calls 646 Puts 435

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
8400	2.10	2.52	0.12	0.24
8450	1.68	2.12	0.20	0.34
8500	1.29	1.75	0.31	0.47
8550	0.95	1.43	0.47	0.65
8600	0.67	1.14	0.69	0.86
8650	0.46	0.89	0.98	1.11
8700	0.30	0.68	1.32	1.40
8750	0.19	0.51	1.71	1.73

Estimated volume total, Calls 2274 Puts 2651
Previous day's open int. Calls 74230 Puts 27142

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Mar	Puts-settlements Dec	MAR
8950	0.91	1.18	0	0
8975	0.66	0.94	0	0.01
9000	0.41	0.70	0	0.02
9025	0.18	0.47	0.02	0.04
9050	0.02	0.27	0.11	0.09
9075	0.01	0.12	0.35	0.19
9100	0	0.05	0.59	0.37
9125	0	0.03	0.84	0.60

Estimated volume total, Calls 1960 Puts 1450
Previous day's open int. Calls 39339 Puts 28512

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Jun	Puts-settlements Mar	Jun
9500	1.77	2.08	0.26	0.53
9550	1.40	1.74	0.39	0.69
9600	1.06	1.44	0.55	0.89
9650	0.79	1.17	0.78	1.12
9700	0.56	0.94	1.05	1.39
9750	0.38	0.74	1.37	1.69
9800	0.25	0.57	1.74	2.02
9850	0.16	0.44	2.15	2.39

Estimated volume total, Calls 41 Puts 60
Previous day's open int. Calls 1994 Puts 890

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Mar	Puts-settlements Dec	MAR
8850	0.78	1.20	0	0.01
8875	0.53	0.96	0	0.02
8900	0.29	0.74	0.01	0.05
8925	0.11	0.53	0.08	0.09
8950	0.03	0.36	0.25	0.17
8975	0.01	0.22	0.48	0.28
9000	0	0.12	0.72	0.43
9025	0	0.06	0.97	0.62

Estimated volume total, Calls 5400 Puts 2089
Previous day's open int. Calls 81329 Puts 64604

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	93-23	94-03	93-21	94-05
Mar	93-31	94-11	93-28	94-12

Estimated volume 24548 (26092)
Previous day's open int. 51486 (53972)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	99-29	100-03	99-26	99-19
Mar	98-31	99-06	98-30	98-22

Estimated volume 2757 (1317)
Previous day's open int. 2842 (3007)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	85.53	85.66	85.46	85.58
Mar	85.98	86.13	85.90	86.03

Estimated volume 45743 (32392)
Previous day's open int. 82713 (83308)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Dec	100.35	100.39	100.37
Mar	100.63	100.64	100.60

Estimated volume 566 (618)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Dec	99.51			99.70
Mar				

Estimated volume 0 (0)
Previous day's open int. 270 (270)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Dec	96.38	96.60	96.31	96.60
Mar	96.51	96.70	96.47	96.70

Estimated volume 7052 (6424)
Previous day's open int. 16483 (16054)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	89.28	89.37	89.27	89.39
Mar	89.69	89.83	89.67	89.86
Jun	89.83	89.95	89.82	89.98
Sep	89.93	90.06	89.92	90.08
Dec	89.94	90.05	89.94	90.09
Mar	89.89	89.95	89.89	90.03

Est. Vol. (inc. figs. not shown) 35656 (28392)
Previous day's open int. 164947 (166448)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Dec	95.10	95.11	95.07	95.07
Mar	95.33	95.33	95.30	95.28
Jun	95.22	95.22	95.20	95.13
Sep	94.97	94.97	94.94	94.87

Est. Vol. (inc. figs. not shown) 3372 (2623)
Previous day's open int. 44037 (43756)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	90.41	90.45	90.40	90.48
Mar	90.68	90.72	90.66	90.74
Jun	90.98	91.00	90.95	91.03
Sep	91.23	91.24	91.20	91.26
Dec	91.32	91.34	91.32	91.37
Mar	91.48	91.50	91.47	91.53

Estimated volume 26876 (17631)
Previous day's open int. 178164 (177562)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.56	89.71	89.61	89.76
Mar	90.00	90.12	89.98	90.14
Jun	90.28	90.35	90.24	90.41
Sep	90.48	90.50	90.48	90.60

Estimated volume 773 (707)
Previous day's open int. 6782 (6543)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.77	91.82	91.71	91.85
Mar	92.12	92.18	92.05	92.20
Jun	92.40	92.42	92.42	92.48
Sep	92.57	92.55	92.52	92.64

Estimated volume 1880 (2030)
Previous day's open int. 25543 (25586)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2427.0	2437.0	2396.0	2437.0
Mar	2462.0	2460.0	2433.0	2472.0
Jun	2492.0			2502.0

Estimated volume 11921 (10268)
Previous day's open int. 38001 (36674)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1055.0			1070.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 305 (305)

* Contracts traded on APT. Closing prices shown.

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	100-03	100-04	99-21	99-24
Mar	99-05	99-07	98-23	98-26
Jun	98-05	98-06	97-26	97-27
Sep	97-05	97-05	96-27	96-27
Dec	96-05	96-05	96-00	95-27
Mar	95-07	95-07	95-02	94-29
Jun	94-10	94-10	94-04	94-00
Sep	93-15	-	-	93-05
Dec	92-22	92-22	92-18	92-12
Mar	91-30	91-30	91-26	91-21

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Dec	95.65	95.68	95.64	95.65
Mar	95.86	95.91	95.84	95.84
Jun	95.77	95.81	95.75	95.72
Sep	95.55	95.56	-	95.48
Dec	95.07	95.08	-	94.98

BRITISH POUND (IMM)
$s per £

	Close	High	Low	Prev.
Dec	1.7706	1.7718	1.7702	1.7638
Mar	1.7458	1.7530	1.7446	1.7396
Jun	1.7224	1.7280	1.7200	1.7168

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Close	High	Low	Prev.
Dec	0.6999	0.7031	0.6997	0.6965
Mar	0.6942	0.6975	0.6940	0.6909
Jun	0.6889	0.6919	0.6893	0.6859

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Dec	0.7683	0.7698	0.7681	0.7695
Mar	0.7663	0.7677	0.7662	0.7674
Jun	0.7649	0.7667	0.7650	0.7659
Sep	0.7642	-	-	0.7652

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Dec	0.6187	0.6224	0.6186	0.6144
Mar	0.6115	0.6153	0.6115	0.6075
Jun	0.6047	0.6075	0.6050	0.6008

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Dec	95.08	95.10	95.07	95.05
Mar	95.31	95.34	95.29	95.27
Jun	95.20	95.24	95.19	95.14
Sep	94.96	94.98	94.94	94.88
Dec	94.42	94.43	94.40	94.34
Mar	94.18	94.19	94.16	94.10
Jun	93.78	93.76	93.73	93.68
Sep	93.39	93.41	93.37	93.32

STANDARD & POORS 500 INDEX
$500 times index

	Close	High	Low	Prev.
Dec	382.20	382.30	371.10	375.70
Mar	384.05	384.25	372.90	377.60
Jun	385.55	385.60	374.50	379.00

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Dec	Jan	Feb	Mar	Puts Dec	Jan	Feb	Mar
1.675	12.35	9.85	9.95	9.92	0.01	0.27	0.99	1.62
1.700	7.45	7.53	7.74	7.81	0.04	0.62	1.59	2.31
1.725	5.00	5.41	5.83	6.10	0.23	1.19	2.41	3.20
1.750	2.88	3.65	4.24	4.59	0.63	2.05	3.42	4.37
1.775	1.36	2.36	3.05	3.40	1.61	3.23	4.78	5.79
1.800	0.52	1.42	2.10	2.50	3.25	4.84	6.40	7.42
1.825	0.13	0.80	1.40	1.77	5.36	6.73	8.17	9.17

Previous day's open int: Calls 361,326 Puts 423,282 (All currencies)
Previous day's volume: Calls 40,325 Puts 7,567 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	105.82	105.54	-0.32	105.82	105.46	9.08	92,045
March	105.90	105.70	-0.30	105.94	105.58	9.06	40,380
June	106.50	106.22	-0.34	106.50	106.18	8.98	7,026

Estimated volume 100,718 Total Open Interest 139,751

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	-	86.08	-	-	-	-	5,430
March	-	86.18	-	-	-	-	100

Estimated volume 0 Total Open Interest 5,530

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	90.23	90.19	-0.08	90.23	90.16	9.73	18,125
March	90.58	90.50	-0.09	90.58	90.47	9.41	29,609

Estimated volume N/A Total Open Interest 56,713

CAC-40 FUTURES (MATIF) Stock Index

	Open	Sett price	Change	High	Low	Yield	Open int.
December	1735.0	1719.0	-36.5	1735.0	1711.0	-	14,008
January	1747.0	1732.5	-36.5	1747.0	1728.0	-	2,274
February	1746.0	1746.5	-	1746.0	1746.0	-	2,274
March	1775.0	1760.0	-36.5	1775.0	1775.0	-	1,576

Estimated volume N/A Total Open Interest 20,737

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	105.30	105.26	-0.10	105.34	105.16	9.16	4,560
March	105.32	105.36	-0.10	105.36	105.28	9.14	986

Estimated volume N/A Total Open Interest 5,536

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	June	September	Puts March	June	September
105	1.39	-	-	0.73	-	-
106	0.86	-	-	1.14	-	-
107	0.49	1.08	-	1.74	1.72	-
108	0.26	-	-	2.50	-	-
Open int.	114,879	9,024	N/A	82,498	10,629	N/A

Estimated volume 20,371 Total Open Interest 217,030

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7765	1.7678	1.7516	1.7273	1.6850

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

European rates rise

MONEY market rates edged higher across Europe yesterday on growing speculation that the Bundesbank will raise German interest rates at its council meeting on Thursday.

UK three months money rose $\frac{1}{16}$ point to 10¾-⅝ per cent, indicating that the weakness of sterling is still exerting upward pressure on London rates, in spite of widespread concern that the economy is not pulling out of recession.

Interest rate futures continued to drift lower, with the March short sterling contract down 12 at 89.74, implying the market expects base rates still at 10½ per cent by the end of that month.

Overnight money was easier for much of the session after the Bank of England forecast a smaller than expected liquidity shortage. The revised £300m shortage compared with assistance of £305m provided by the Bank.

In Frankfurt, overnight money rates continued to remain close to the Bundesbank's Lombard emergency funding rate of 9.25 per cent on the speculation about a rate increase. Call money was at 9.10-9.20 per cent, unchanged on the day.

The market was waiting to see whether the Bundesbank would give a signal on rates when it announces the results of its extraordinary tender for two-day securities repurchase funds. The Bundesbank said it had accepted bids for DM11.9bn of funds at 9.10 and 9.15 per cent.

In Paris, French money rates were slightly firmer as the franc slipped slightly against the D-Mark. The Paris inter-bank December futures contract was down 10 points at 90.28, reflecting the upward pressure on French rates.

But money dealers said that after its ⅝ point increase in its intervention rate on November 18, there was no need for any further tightening in France.

At its securities repurchase tender the Bank of France left its intervention rate unchanged at 9¼ per cent but drained more than FFr20bn from the system. The Bank accepted bids of FFr28.0bn, less than the FFr48.1bn leaving the market in an expiring tender.

The Bank said it drained liquidity because banks were ahead in building their obligatory reserve requirements for the current reporting period.

In Brussels, there was scattered talk that Belgian rates could soon be lowered. But at its fixed rate tender, the key advances rate was left unchanged at 9.1 per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.2) 3 months US dollars		6 months US Dollars	
bid 4⅞	offer 5	bid 4$\frac{15}{16}$	offer 4$\frac{15}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

4pm					
Prime rate	7½	One month	4.14	Three year	5.69
Broker loan rate	7	Two month	4.15	Four year	5.82
Fed. funds	5	Three month	4.49	Five year	6.42
Fed. funds at intervention	4⅞	Six month	4.58	Seven year	6.87
		One year	4.64	10-year	7.31
		Two year	5.32	30-year	7.90

Dec.2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.15-9.25	9.30-9.50	9.25-9.45	9.25-9.45	9.25-9.45	9.25
Paris	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅝-9¾	9.25
Zurich	6¼-6⅞	7⅞-8⅛	-	7⅞-8¼	-	-
Amsterdam	9.31-9.43	9.40-9.50	-	9.42-9.52	-	-
Tokyo	6⅛-6⅞	6⅛-6⅛	-	-	-	-
Milan	11⅛-11⅞	12⅞-12⅞	-	12-12⅛	-	-
Brussels	9⅛-9⅛	9⅛-9⅛	-	9⅛-9⅞	-	-
Dublin	9¾-10	10⅛-10½	10⅛-10⅛	10⅜-10½	10⅜-10⅞	-

LONDON MONEY RATES

Dec 2	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10⅞	10$\frac{11}{16}$	10$\frac{13}{16}$	10⅝	10⅞	10$\frac{11}{16}$
Interbank Bid	6	10$\frac{9}{16}$	10⅝	10½	10½	10⅜
Sterling CDs	-	-	10$\frac{11}{16}$	10⅝	10⅝	10½
Local Authority Deps.	10⅞	10⅝	10⅝	10$\frac{11}{16}$	10⅝	10⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10¾	10$\frac{11}{16}$	10¾	10¾
Finance House Deposits	-	-	10$\frac{11}{16}$	10$\frac{11}{16}$	10⅝	10⅝
Treasury Bills (Buy)	-	-	10⅛	10⅛	9$\frac{15}{16}$	-
Bank Bills (Buy)	-	-	10$\frac{7}{16}$	10⅛	9$\frac{15}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.22	4.88	4.80	4.92
SDR Linked Dep. Offer	-	-	7⅛	7$\frac{3}{16}$	7⅛	7⅛
SDR Linked Dep. Bid	-	-	7⅛	6$\frac{15}{16}$	6⅞	6$\frac{15}{16}$
ECU Linked Dep. Offer	-	-	10½	10⅜	10⅜	10⅛
ECU Linked Dep. Bid	-	-	10⅜	10⅛	10⅛	10⅛

Treasury Bills (sell); one-month 10⅛ per cent; three months 10⅛ per cent; six months 9$\frac{15}{16}$ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 10$\frac{1}{16}$ per cent; Treasury Bills: Average tender rate of discount 10.0806 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 29,1991. Agreed rates for period Dec.25, 1991 to January 25, 1992, Scheme I: 11.74 p.c., Schemes II & III: 11.75 p.c. Reference rate for period November 1,1991 to November 29, 1991, Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from December 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991. Deposits withdrawn for cash 5 per cent.

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE AND VIEWS ON THE ACQUISITION BY AAH HOLDINGS PLC OF ENTERPRISES OF MEDICOPHARMA NV

The Monopolies and Mergers Commission is inquiring into the acquisition by AAH Holdings plc of certain enterprises of Mediocopharma NV, to determine whether such acquisition might operate against the public interest.

The Commission would like to hear from those who have views on the proposed acquisition, or information which could help with the inquiry. Write, not later than 16 December 1991, to: The Reference Secretary (Unichem/Macarthy), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

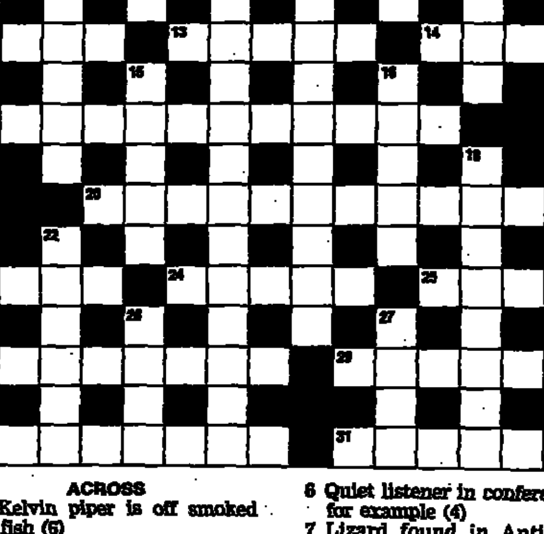
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,714 Set by DINMUTZ



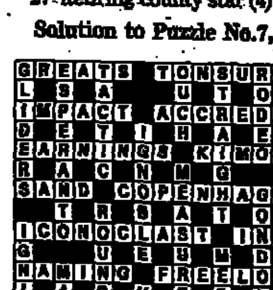
ACROSS

1 Kelvin piper is off smoked fish (6)
4 Copt, for example – painty sort? (8)
9 Intention to bring things in (6)
10 Element holding water-poison (8)
12 Alcoholics production of "Women in Love" (4)
13 Passage in left part of church (5)
14 Unrepeatable opening of fairy-story (4)
17 Resilience needed these days and suitable skill (12)
20 Lakeside bird that sings, in defiance of Keats (5-7)
23 Crop in sack (4)
24 Bacon-producer's triumph in home counties? (5)
25 In the middle of a motorway, driving's first (4)
28 Ship deep in trouble in the Wash, say? (5-3)
29 Clydeside Moll? (6)
30 Bird taking neat spirits? (2-6)
31 Tinworks take a year to produce a cockpit-cover (6)

DOWN

1 King has a winter break in Fair Isle (8)
2 Invitation to The Great Gatsby to call? Dandy! (8)
3 Gain by Labour? (4)
5 Breathing on barometer is a common activity in Waterford (5-7)
6 Quiet listener in conference, for example (4)
7 Lizard found in Antigua, naturally (6)
8 Hardy-Spicer, you say, for universal joints? (6)
11 Summer visitor finds Savoy spotless! (7-5)
15 Number three on the move (5)
16 Shock given by street painting (5)
18 Exotic dance for a colour-sergeant, say? (8)
19 Hard work being droll about Barnaby (8)
21 Topers can be very quick in bars (6)
22 Maintenance of riding control (6)
26 Long story of mince-pie before start of Christmas (4)
27 Retiring county star (4)

Solution to Puzzle No.7,713



WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | SWITZERLAND | NORWAY | SPAIN | SWEDEN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE | SOUTH AFRICA | ITALY | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | JAPAN

CANADA

TORONTO

4:00 pm prices December 2

MONTREAL

4:00 pm prices December 2

Total Sales 9,305,300 shares

INDICES

NEW YORK

DOW JONES	Dec 2	Nov 29	Nov 28	Nov 27	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2935.38	2894.68	(c)	2900.04	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.43	97.19	(c)	97.30	97.92 (12/11)	91.30 (16/1)	97.92 (12/11/91)	54.99 (1/10/81)
Transport	1199.36	1172.27	(c)	1174.14	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.64	218.83	(c)	219.08	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2941.64 (2913.46) Low 2855.32 (2877.46)

STANDARD AND POOR'S

	Dec 2	Nov 29	Nov 28	Nov 27	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	381.40	375.22	(c)	376.55	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	449.84	442.42	(c)	443.97	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.34	29.77	(c)	29.97	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	210.65	207.75	(c)	208.22	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	371.89	370.68	(c)	370.00	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	530.91	523.90	(c)	522.78	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Nov 29	Nov 22	Nov 15	year ago (approx.)
Dow Industrial Div. Yield	3.15	3.15	3.10	4.01
	Nov 20	Nov 13	Nov 6	year ago (approx.)
S & P Industrial div. yield	2.80	2.67	2.72	3.42
S & P Ind. P/E ratio	22.79	22.04	21.29	15.37

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Unisys	8,932,700	5⅛	+ 1¼
Nabisco	3,078,800	9⅞	...
Glaxo	2,821,800	29	+ 1¼
IBM	2,346,900	92⅞	- ⅛
Gen Motors	2,020,100	31	+ ⅛
Bankamerica	1,961,400	32⅞	+ 1⅝
Philip Morris	1,941,600	68⅞	+ 1⅛
AT & T	1,937,400	36⅛	- ⅛
Gen Elect	1,913,300	65⅞	+ 1
Pepsico	1,842,400	30½	+ ⅞

TRADING ACTIVITY

† Volume (Millions)	Dec 2	Nov 29	Nov 28
New York SE	188,371	76,790	(c)
Amex	13,247	6,921	(c)
NASDAQ	(u)	66,316	(c)
NYSE			
Issues Traded	2,162	2,059	-
Rises	925	746	-
Falls	779	762	-
Unchanged	458	551	-
New Highs	46	22	-
New Lows	70	44	-

CANADA

TORONTO	Dec 2	Nov 29	Nov 28	Nov 27	1991 HIGH	1991 LOW
Metals & Minerals	2851.27	2846.05	2854.58	2850.03	3299.99 (18/7)	2632.06 (9/1)
Composite	3456.38	3448.51	3436.64	3440.12	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1819.91	1815.84	1810.02	1811.19	1907.35 (12/11)	1686.89 (9/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 2	Nov 29	Nov 28	Nov 27	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1591.1	1605.7	1604.7	1618.5	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	630.8	638.5	640.5	646.5	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	403.87	412.41	413.87	414.22	534.81 (16/4)	385.58 (4/11)
BELGIUM						
BEL20 (1/1/91)	1059.37	1069.06	1070.82	1076.60	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	350.97	354.24	354.28	354.45	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	839.9	847.1	831.1	823.2	1186.9 (8/4)	810.3 (14/11)
FRANCE						
CAC General (31/12/82)	471.92	477.39	480.22	481.59	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1708.78	1739.70	1754.88	1757.86	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	633.71	642.82	650.82	653.11	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1789.48	1814.60	1837.40	1844.00	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1545.44	1566.57	1588.16	1586.16	1715.80 (1/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4094.42	4149.88	4145.61	4179.30	4272.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1347.51	1363.30	1363.03	1370.90	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	510.25	518.50	520.77	517.15	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	21992.29	22687.35	22780.42	22973.28	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1692.40	1731.30	1734.18	1750.57	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2508.10	2528.55	2541.38	2558.68	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	528.21	532.09	532.32	536.18	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl Rtn Gen. (End 1983)	270.1	273.2	273.6	274.1	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	189.6	191.9	192.2	192.5	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	595.77	624.56	634.16	636.99	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1096.03	1088.08	1092.04	1094.99	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	390.26	393.12	392.96	394.50	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1256.0&	1233.0	1236.0	1242.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4175.0&	4220.0	4208.0	4222.0	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	651.44	652.47	660.73	649.03	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	243.14	246.42	246.71	244.24	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	932.20	954.80	945.90	942.30	1149.8 (1/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	708.9	719.7	727.6	729.7	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	580.1	586.9	592.4	594.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4355.02	4391.61	4453.58	4471.00	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	666.60	671.07	667.86	668.60	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl (1/1/70) (S)	494.8*	500.0	501.9	503.7	529.2 (17/4)	439.1 (16/1)

**Saturday November 30: Taiwan Weighted Price: 4378.50; Korea Comp Ex. 652.11.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, 29 November 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	10.3	1,080	+30	Nippon Steel	2.5	366	-9
NKK	5.5	322	-18	Japan Storage	2.4	875	-25
Okamoto	5.5	1,110	0	Kobe Steel	2.1	423	-14
Meiji Seika	4.9	936	-19	Hitachi	2.1	900	-4
Kawasaki Steel	3.3	333	-15	Sanyo-Kokusaku	1.7	805	+9

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

4:00 pm prices December 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	9¼	AAR Corp	0.48	3.9	16	249	12⅜	12⅛	12⅜	
22⅞	14½	A L Labs A	0.16	0.8	22	1750	20	19⅛	20	+½
55⅛	40⅞	AMP Inc	1.44	2.8	20	1119	52	51	51⅞	+⅝
68⅜	44¼	AMR				115713	60	58½	60	+1⅛
2⅝	1	ARX			1	94	1⅛	d1	1⅛	+⅛
58	41½	ASA	3.00	6.0	14	409	50½	49⅝	49⅞	−⅛
61⅛	39¼	Abbott Lab	1.00	1.7	24	4916	59⅞	56¾	59⅞	+2⅝
14⅝	9⅞	Abitibi Pr	0.44	3.3	18	10	13⅜	13⅜	13⅜	
11⅝	10⅜	ACM Gvt In	1.26	11.4		446	11	10⅞	11	+⅛
9¾	8¼	ACM GvOpp	1.01	10.5		230	9⅝	9½	9⅝	
9½	8¼	ACM Gvt Sp x	1.01	10.9		383	9¼	9	9¼	
11	9⅞	ACM Gvt Se x	1.26	12.0		464	10⅝	10½	10½	
9	7⅝	ACM Man	1.01	11.7		419	8⅝	8½	8⅝	
12⅞	11½	ACM Managd	1.35	11.0		190	12¼	12⅛	12¼	
7½	4¾	Acme Cleve	0.40	6.4	13	108	6¼	6¼	6¼	−⅛
6	3⅛	Acme Elect			3	5	4⅞	4⅞	4⅞	−⅛
40	22⅜	Acuson			21	1372	33¼	32⅛	33⅛	+¼
20¼	14¼	Adams Exp x	1.63	9.2	0	191	17¾	17½	17⅝	−⅛
20⅛	17½	Adobe12Pf	2.40	12.9		49	18⅞	18⅝	18⅝	−¼
9¼	6⅛	Adobe Res			62	72	8¼	d6⅛	8¼	−⅛
38⅞	18	Ad Micro x				65	37½	37¼	37¼	−⅜
14⅝	4⅝	Ad Micro P	3.00	20.9	7	18663	14⅝	14	14⅜	
5⅛	2¼	Advest Grp	0.16	3.6	6	70	4½	4¼	4½	+⅛
49⅛	31⅞	Aetna Lf x	2.76	7.1		71585	39	37¼	38¾	+1¼
10⅝	6⅝	Affil A	0.24	2.8	77	2909	8½	8⅜	8½	−⅛
20⅞	12	Ahmanson	0.88	6.0	9	2324	14⅝	13⅝	14⅝	+⅞
18⅛	2⅞	Aileen Inc			17	378	17¼	16½	17¼	+1
74⅛	51⅛	Air Pr Chm x	1.56	2.3	15	827	67	64	67	+2⅛
30	16⅝	Airbrne Frt	0.30	1.4	16	426	22⅛	20⅞	22⅛	+1⅛
22½	12½	Airgas Inc			98	166	20¾	20⅛	20¾	−⅛
15¼	10	Airlease	1.85	15.6	7	43	12	11⅞	11⅞	−⅛
100½	89¼	AlaPw8.16 x	8.16	8.5		z100	97	96	96	
25⅛	21⅜	AlaPw PfA	2.00	8.0		11	u25½	25⅛	25⅛	
107	100	AlaPw9.44 x	9.44	8.9		2	104½	104½	106	+¼
108	102⅞	Alab Pw 11				2	104	104	104	
104	98	Alab Pw 9P x	9.00	8.9		9	102	101	101	+⅞
101½	88	Alab 8.28C x	8.28	8.2		z100	100¾	100¾	100¾	
11	9⅞	AlaPwDpPf x	0.87	8.4		24	10½	10⅜	10⅜	−⅛
25⅜	17½	Alaska Air	0.20	1.0	43	282	19½	19⅛	19⅝	+⅛
20	10	Albany Int x	0.35	2.1	58	225	16⅝	16⅞	16⅞	−¼
34¼	20½	AlCulvr B	0.22	0.8	24	194	26	25¼	25⅞	+⅛
24⅞	18¾	AlCulvr A	0.22	1.1	17	99	19⅞	19⅛	19⅞	+⅛
51⅜	32⅝	Albertsons	0.56	1.6	17	5261	33½	33⅜	33⅞	
23⅛	18½	Alcan Alum	0.60	3.1	25	2510	19¼	18¾	19¼	+¼
35⅞	29	Alco Stand x	0.92	2.7	17	536	33⅝	32½	33⅝	+⅜
29⅛	18⅞	Alex Alex x	1.00	5.1	17	513	19⅞	19½	19⅞	+¼
37½	19¾	Alexanders			32	12	27½	27½	27½	−¼
29⅛	20½	Allegh Lud x	0.88	4.1	20	140	21½	21	21¼	−⅛
45	35	Allegh Pow	3.16	7.0	12	145	u45⅛	44¾	45⅛	+⅜
24½	16⅝	Allen Gp	1.75	7.6		12	22⅞	21⅞	22⅞	
22⅛	9⅞	Allen Con	0.05	0.2	23	412	20⅝	20¼	20⅝	−⅛
25½	16¾	Allergan	0.36	1.6	24	717	22¼	21⅞	22¼	+⅛
33⅞	15¼	Allnce Cap	2.02	6.9	15	171	29⅜	28⅞	29⅜	
13⅝	9⅞	Allnce Gl				90	10⅞	10⅝	10⅞	+⅛
22	17	Ald Irish x				2	17½	17½	18	+½
43	25⅞	Alld Sig	1.00	2.5	19	3875	39¼	38½	39¼	+⅜
10⅛	8¾	AlstMunTr x	0.77	7.7		240	10	9⅞	10	
10	8⅝	AlstIncOp x	0.72	7.8		82	9¼	9⅛	9¼	−⅛
9⅞	8⅛	AlstMnInc x	0.76	8.1		99	9½	9⅜	9⅜	−⅛
9¾	8⅝	AlstMnInc x	0.72	7.6		92	9⅝	9½	9½	−⅛
43¼	31¼	Alltel Grp x	1.48	4.2	14	566	35¼	34¾	35	−⅞
73⅛	53⅜	Alcoa	1.60	2.8	42	1401	58¼	57½	57⅞	−⅞
10⅜	9⅛	AmGovInc x	1.00	9.9		147	10¼	10⅛	10⅛	−⅛
7½	6½	Am Precia	0.20	2.9		39	6⅞	6⅝	6⅞	+⅛
27½	18⅝	Amax	0.80	4.3	15	1755	18¾	d18⅜	18½	−¼
15⅞	10⅛	Amax Gold	0.08	0.7	20	673	11⅜	11⅛	11¼	−⅛
1¼	¼	Ambase Cp			0	1107	⅜	⅜	⅜	+⅛
17½	6	Amcast Ind x	0.48	2.8	16	284	17¼	16¾	17⅛	−⅛
59⅛	42½	Amerada He	0.60	1.2	10	1958	47⅞	46⅞	47⅝	+⅜
⅜	⅛	Amdura Crp				0z100	0.18	⅛	0.18	+0.05
10⅞	10	Am Adj R x	0.84	8.0		148	10½	10⅜	10½	+⅛
26¼	18⅜	Am Barrck x	0.10	0.4	41	1280	26⅛	25⅝	25¾	
32⅝	29¾	Am Br2.75	2.75	8.5		5	32½	32⅜	32½	+⅛
47⅝	35⅝	Am Brands	1.75	4.4	13	2494	40	38⅜	40	+1⅜
34⅝	24⅝	Am Build M	0.96	2.8	13	10	34¼	34⅛	34⅛	−⅛
35⅞	18¼	Am Bus Prd	0.94	2.9	14	107	32	31½	31⅞	+⅜
7⅝	5½	Am Cap Inc	0.84	11.6		226	7⅜	7¼	7¼	−⅛
20	18⅝	Am Cap Bd x	1.68	8.8	33	20	19¼	19	19	−½
19⅝	16¼	Am Cap CV	1.40	7.5	0	37	18¾	18⅝	18⅝	−⅛
69	48½	Am Cyanamd	1.50	2.7	14	3684	56⅛	53⅞	55¼	+1⅞
31⅞	26⅝	Am El Powr	2.40	7.4	12	5554	u32½	31¾	32½	+⅞
30⅞	18¼	Am Express x	1.00	5.2	13	13107	19¼	18¾	19¼	+¼
29⅞	17⅞	Am Family	0.40	1.4	16	1255	27⅞	26½	27¾	+1
43⅝	28	Am Genl Co	2.00	4.9	10	1394	40½	40⅛	40½	−½
8⅜	7¼	Am Govt In x	0.79	9.6		63	u8½	8¼	8¼	−⅛
31⅞	22⅛	Am Hlth Pr	2.56	8.8	14	263	29⅞	29⅛	29⅛	
32¼	20	Am Heritge	1.08	3.6	12	3	30⅛	30⅛	30⅛	
77⅞	46½	Am Home Pr	2.60	3.4	18	6409	76⅞	73¾	76½	+2¼
3½	2¾	Am Hotels			8	10	3	3	3	
102	72	Am Intl Gr x	0.50	0.6	12	2445	87¼	85¾	86⅞	+½
1⅞	⅜	Am Intrnl			40	801	1⅝	1½	1⅝	
12	4⅛	Am Intl Pf	2.00	30.8		125	6⅝	6⅛	6½	+¼
10⅞	9⅞	Am Opp Inc x	1.10	10.5		136	10½	10¼	10½	−⅛
43⅛	15¾	Am Presdt	0.60	1.8	10	862	33⅝	33⅛	33¼	−½
11½	7⅞	Am Real Es	2.00	18.8	9	53	10⅝	10½	10⅝	+⅛

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32	18½	Rubbermaid	0.17	0.5	31	1387	31	d29⅝	31	+1⅛
17⅞	13½	Ruddick x	0.24	1.6	12	161	14⅝	14⅛	14⅝	+½
18¾	13	RussBerrie x	0.60	3.8	14	58	16	15¾	15⅞	-⅛
7⅛	⅜	Russ Togs	0.20	17.8	0	281	1⅛	1	1⅛	
30⅞	19⅛	Russell Cp	0.32	1.1	22	483	29	28⅝	28	+1⅛
21⅝	14	Ryder Syst x	0.60	3.4	27	1703	17⅞	17⅛	17⅞	+⅛
25¼	18⅞	Ryland Grp	0.60	3.1	27	597	20½	19¼	19¼	-2⅛

- S -

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅞	20⅛	S Anita Rt	2.06	10.0	18	251	21⅞	20⅛	20⅞	-1
16½	11½	SCOR US Cp	0.24	1.5	8	22	16½	15⅛	15½	+⅛
37	20⅞	SPS Techno	1.26	5.3	19	26	24	23⅝	24	+⅛
2⅛	⅛	Saatchi&S	0.19	27.6	0	354	[illegible]	d⅝	[illegible]	
13⅛	11	Sabine Rlt	1.33	10.4	7	85	13	12¾	12¾	+⅞
11⅝	5⅞	Safeguard	0.15	1.6	8	153	9½	9⅛	9⅛	-¼
16¾	8½	Safeg'd Sc			6	70	14⅛	13⅞	14⅛	+⅛
37	25	SafetyKln x	0.32	1.2	25	1391	27	26¼	26⅝	-⅛
27⅝	11⅞	Safeway				121501	16	15⅛	15¾	
4⅞	2⅞	SafewayW95				543	3⅛	3⅛	3⅛	-⅛
35⅞	25⅞	StJoePaper	0.20	0.6	42	16	32⅛	32⅛	32⅛	
34⅛	25⅛	StJoeLAP	1.66	5.0	13	44	33⅜	32⅛	33⅜	+⅝
74⅛	57	St Paul's x	2.60	3.8	7	568	67⅞	66⅝	67⅞	+1
4⅛	1½	Salant Crp			0	20	2⅞	2⅝	2⅝	-⅜
69⅛	43⅝	Sallie Mae x	1.00	1.6	18	1686	61⅞	60⅝	61⅞	-¼
14⅛	10⅜	Salomon Br x	1.61	12.8		672	12⅝	12⅜	12⅝	

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1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
51¾	43¼	Xerox4.125 x				2	51	51	51	
25¼	14⅛	Xtra 1.94				38	22½	22	22½	
29⅜	14¼	Xtra Corp	0.72	2.7	89	35	27	26⅝	26⅞	
27⅞	21⅞	Yankee Egy	1.60	6.1	12	17	26⅝	26⅛	26⅛	-⅛
1½	⅝	Zapata			56	294	[illegible]	d[illegible]	[illegible]	-⅛
9⅜	5⅛	ZenithElec			2	327	6½	6¼	6½	
18½	12	Zenith Nat	1.00	6.4	129	24	15½	15¼	15½	
8⅜	4½	Zenix Inc	0.84	13.4		88	6⅛	6	6¼	+⅛
15⅛	10⅞	Zero Corp	0.40	3.6	14	192	11	d10⅞	11	+⅛
41⅞	29½	Zurn Ind x	0.88	2.6	14	208	34½	34⅛	34⅛	-⅜
13½	10⅛	Zweig Fund	1.16	9.2		273	12⅝	12½	12⅝	
10½	8½	Zweig Tot	0.96	9.2		251	10⅜	10¼	10⅜	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices December 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OMI Corp	0.14	8	1673	7½	7	7½	+⅛
Pall Corp	0.29	40	1101	37	35	37	+1⅞
Pegasus 6		7	610	12⅝	12⅜	12⅜	+⅛
Perini		6	34	10	9⅝	9¾	-⅛
Pet Ht&P	0.31	7	23	11⅛	10⅞	11⅛	+⅛
Phil LD x	0.18	12	2368	29⅛	28⅜	28⅞	-⅛
Pitway A x	1.10	12	24	28½	28	28½	+⅜

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NASDAQ NATIONAL MARKET

4:00 pm prices December 2

[illegible]

AMERICA

Dow posts sharp gain after early slide is reversed

Wall Street

US STOCKS staged a dramatic turnround yesterday, posting strong afternoon gains after coming under considerable pressure in the morning from *overnight selling in Tokyo and* evidence of economic weakness from the US purchasing managers report, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average dropped more than 30 points in the first 15 minutes of trading. By 1.30pm it was only a net 2.24 off at 2,892.44 and went on to finish the day 40.70 ahead at 2,935.38. New York SE volume, however, was moderate at 188m shares.

Although programme buying accounted for some of the afternoon stock gains, there was no single underlying reason for the recovery. "It is unusual to see this type of movement without some significant, tangible event," commented Mr Laszlo Birinyi of Birinyi Associates.

US stocks took some strength from the late recovery in London, and gains in the *US bond market also gave sup*port to equities.

IBM helped to pace the stock market's morning decline, *sinking to a 52-week low of* $90⅝ before recovering to finish the day off $¼ at $92¼. *The* stock lost nearly $5 late last *week after several analysts* reduced their ratings and earnings projections *for the com*puter group. IBM came under *further pressure yesterday* after a story in the Wall Street Journal criticised the company's personal computer business and its O/S2 operating-system software.

Unisys, on the other hand, climbed $1⅛ to $5⅛ in very heavy trading on reports that the company might be a takeover target.

Digital Equipment declined $1¾ to $61¼ after Merrill Lynch lowered its second-quarter earnings estimates from 50 cents a share to between 20 to 30 cents a share.

News that Glaxo had been granted a product licence for its anti-migraine drug Imigran in Italy helped to lift the stock $1¾ to $29.

Among the more sensitive cyclical stocks, International Paper moved ahead $2¼ to $69 and Caterpillar recouped recent losses by adding $2⅝ at $43⅝.

Among active blue chips, AT&T held steady at $36¼, General Electric rose $1 to $65¾ and Philip Morris put on $1⅛ to $68⅞.

McDonnell Douglas lost $¾ to $69⅞. The aircraft and aerospace company expects to make a fourth quarter pre-tax gain of more than $50m following a settlement with the Internal Revenue Service.

In the secondary market, the Nasdaq composite climbed 7.01 to 530.91 in late trading. Microsoft helped to pace the afternoon advance, rising $4 to $102¼, while Amgen climbed $3¾ to $59¾, Intel added $⅛ at $41⅛ and Apple Computer gained $1 to $51¾.

Teradata jumped $5⅛ to $28⅞ on news that it had accepted a takeover bid from AT&T of $30¼ a share.

Canada

TORONTO stocks rebounded *from a sharp opening drop to* end mixed overall and with moderate gains in blue chips, although trading was sluggish. *Short covering and bargain* hunting helped to lift the *market.*

The composite index ended *7.9 higher at 3,456.4, but declin*ing issues still led advance at the close by *300 to 240*. Volume came to 19.6m shares.

Nova Corp said it has decided not to split into two separate publicly traded companies at the present time. The shares were unchanged at C$7¾.

SOUTH AFRICA

JOHANNESBURG was mixed. Gold shares found support from bullion prices but industrials fell as *some went ex div*idend. The industrial index fell *45 to 4,175* but the all-gold index added 23 to 1,256. The *overall index lost 24 to 3,518.*

EUROPE

Pirelli shares plummet as Continental takeover fails

FT-SE Eurotrack 100 - Dec 2							
Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1049.04	1048.02	1047.57	1047.22	1047.31	1047.67	1046.45	1047.98
Day's High 1049.32				Day's Low 1045.62			
Nov 29	Nov 28	Nov 27	Nov 26	Nov 25			
1062.86	1070.76	1069.79	1071.48	1060.67			

Base value 1000 (26/10/90)

BOURSES staggered and in some cases subsided yesterday, after the fall in Tokyo, a German interest rate warning from Mr Helmut Schlesinger, the Bundesbank president, and the collapse of the Pirelli/Continental negotiations, *writes Our Markets Staff.*

MILAN started the week bereft of good news. Rumours about Pirelli had started last week, but no one had anticipated the extent of its losses. Dealers said that revelations of Pirelli's indemnity pact with its allies in the Continental takeover had upset US investors. *The Comit index fell 8.25* or 1.6 per cent to 510.25 in turnover estimated at near Friday's L110bn. After the close, the Consob said the delayed settlement of the November account would go ahead tomorrow.

The market was also worried about Olivetti, which fell L35 to L2,865. Its planned restructuring was taken as a sign that the company was in greater difficulty than thought.

FRANKFURT was concerned about Soviet solvency and the chance of a strike in the steel industry, and the DAX index fell 21.13 or 1.3 per cent to 1,545.44, after a drop of 9.11 to 633.71 in the FAZ.

Volume declined to DM4.5bn after Friday's DM5.2bn. Volkswagen, designated a weak hold after a critical analysis of its profits by James Capel, *dropped* DM8.20 to DM295.

The Conti story reminded traders of *the risks of cross*-border speculation, and Asko dropped another DM29 to DM661 on worries about its holding in the troubled Swiss employment agency group, Adia. Asko's fellow retailers, Karstadt and Kaufhof, shed 4.1 and 3.1 per cent respectively.

PARIS dropped 1.8 per cent, although the CAC 40 index closed above the 1,700 level after reaching a day's low of 1,698.28. The index finished 30.92 down at 1,708.78. Turnover was moderate at FFr1.9bn, down from FFr2.15bn.

Blue chips tumbled. Total, which is now included in the CAC 40, fell FFr33 to FFr1,057.

Scoa lost FFr2 to FFr20.95. The trading company said that it would ask shareholders on Friday to approve its plans to raise up to FFr1.5bn in capital.

ZURICH dropped in thin volume, the Crédit Suisse index *falling 9.9 or 2.1 per cent to* 447.6. Chemicals were weak on profit-taking, *Ciba-Geigy fall*ing SFr70 to SFr2,950 and Roche *SFr40 to SFr2,590.*

Adia bearers fell another SFr42 to SFr404 on worries over the level of write-offs the company would have to make in connection with the sale of its Meridian business.

AMSTERDAM was upset by London's weak start. The CBS Tendency index fell to 87.2 before closing 1.0 or 1.2 per cent down at 87.6.

Fokker was one of the few gainers, rising 60 cents to Fl 26.80 on news, and hopes, of further orders. Ahold, the retailer, shed Fl 1.60 to Fl 78.70 on its *disappointing* third-quarter results.

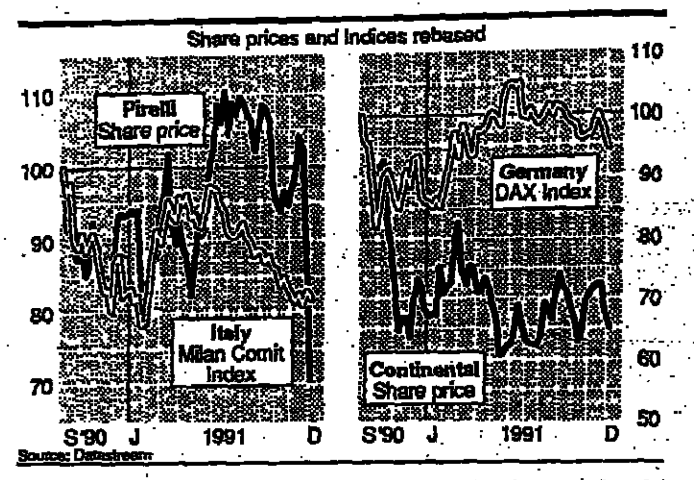
OSLO plunged another 5.1 per cent on worries about the banking sector, after Den norske Bank received a state-backed injection of NKr5.9bn. *The all-share index* lost 20.16 to 375.39 in turnover of NKr361m, up from NKr330m.

DnB, suspended on Thursday, gained NKr1.2 to NKr10. Norsk Hydro, which led last week's retreat, fell another NKr6 to NKr124.5.

STOCKHOLM fell sharply, with the Affärsvärlden General index down 22.6 or 2.4 per cent *at 932.2. The scrapping of the* turnover tax boosted turnover to SKr412m from SKr223m.

MADRID's general index fell *3.28 or 1.3 per cent to 243.14* in thin trading. The BRUSSELS *Bel20 index lost 9.69 to 1,059.37,* and VIENNA's ATX index shed *19.92 or 1.9 per cent to 962.85.*

ISTANBUL ignored the general malaise. The 75-share index jumped 356.46 or 8.8 per cent to 4,414.93.



Source: Datastream

PIRELLI shares were suspended minutes after the opening in Milan yesterday as neither the company nor its allies made any attempt to shore up market prices, which were vulnerable after the collapse of the takeover talks with Continental of Germany *and news of a deep* financial crisis at the Italian tyre group.

Pirelli SpA was officially set L401 or 23.6 per cent lower at L1,308 with an *estimated 2m shares traded,* while Pirelli e Co, the holding company, dropped L1,270 or 22.2 per cent to L4,450. Continental, *the erstwhile target, suffered its worst falls* a year ago, and yesterday lost just DM7.60 or 3.7 per cent to DM198.

Pirelli's fortunes varied *elsewhere in Europe: its Swiss finan*cial holding company, Ste Internationale Pirelli, dropped SFr58 or 16 per cent to SFr305 after it announced a planned capital increase to subscribe to the Pirelli SpA rights issue; the Amsterdam-listed *Pirelli Tire Holding fell Fl 1.70 to Fl 21.30.*

Michelin, the French tyremaker, outperformed its local market by falling only FFr1.60 or 1.3 per cent to FFr119.90.

ASIA PACIFIC

Nikkei falls below 22,000 for first time since August

Tokyo

NERVOUSNESS over the course of domestic and overseas economies brought a sharp fall in futures prices yesterday, followed by a 3 per cent drop in the Nikkei average, which retreated through 22,000 for the first time since August 28, *writes Emiko Terazono in Tokyo.*

The Nikkei weakened 695.06 *to end at the day's low of* 21,992.29 after a volatile session *dominated by arbitrage-related* trading, having opened at the session's high of 22,645.52. Turnover remained subdued, *reaching only 200m shares,* and the low volume exaggerated share price movements.

Losing issues overwhelmed rises by 894 to 90, with 118 stocks finishing unchanged. The Topix index gave up 38.90 to 1,692.40, although in London the ISE/Nikkei 50 index eased a mere 0.10 to 1,266.12.

Concern about the US economy spread after the Dow's decline below 2,900 on Wall Street last week, and the recent spate of profit warnings by Japanese companies increased worries about Japan's economic slowdown.

Investors were also discouraged by reports that Mr Yasushi Mieno, governor of the Bank of Japan, had ruled out *another early cut in the official* discount rate in a speech yes*terday. Market operations by* the central bank, which *pushed up money market rates* by draining funds from *short-term money markets,* also had adverse effects.

Mr Masa Sato, derivatives trader at Dai-Ichi Securities, said: "Prospects that the cash market would not recover in the short term depressed futures prices, which in turn triggered unwinding of arbitrage cash positions against December futures."

He added that market participants rushed to buy put, *or* sell, options at the 22,000 level. Some analysts see shares bottoming out around current prices. "The worst of futures selling is over, and some investors are looking to buy at these levels," said Mr Philip Dodds, *strategist at S.G. Warburg.*

Blue chips declined on lower profits and the weak economy. Kawasaki Steel fell Y15 to a *year's low of Y333 on active* selling by a leading Japanese *broker. Reports from the secu*rities house's research arm, forecasting a plunge in pre-tax profits for the fiscal year to *March 1993, prompted selling.* Nippon Steel shed Y9 to Y366.

High-technology issues lost ground on selling by investment trusts. NEC retreated Y30 to Y1,120 and Sony Y130 to a 1991 low of Y4,220.

Brokerage houses were weaker on expectations of lower profits due to the prolonged sluggishness of the stock market. Nomura Securities lost Y10 to Y1,650 and Nikko Securities Y61 to Y835.

Bank shares fell on worries that banks would not be able to satisfy Bank of International Settlements' capital adequacy ratios if the stock market fell further. Industrial Bank of Japan declined Y150 to Y3,200 and Dai-Ichi Kangyo Bank Y70 to Y2,480.

In Osaka, the OSE average *retreated 589.09 to 23,679.32,* below 24,000 for the first time *since August 30. Turnover was* down to 12m shares from Friday's 16.7m.

Roundup

THE LATE dive in Tokyo left the Pacific Basin region in decline, although Pakistan was an outstanding exception.

HONG KONG fell sharply. The Hang Seng index lost 55.38 to 4,094.42, its biggest setback in seven sessions. Turnover rose from HK$850m to HK$951.

Profit-taking in banks continued, the finance sector index slipping 2.5 per cent during the session. HSBC, parent of Hongkong & Shanghai Banking, dipped HK$1 to HK$33. Jardine Matheson receded 75 cents to HK$36 and Cheung Kong 20 cents to HK$18.90.

AUSTRALIA was depressed by a wider than expected trade deficit and declining housebuilding statistics. The All Ordinaries index fell 14.5 to 1,591.2 as turnover slumped *from A$289m to A$125m.*

Builders were mixed on the *weak October data. James Har*die was steady at A$3.02 but a sharp reaction was seen in property company Lend Lease, down 24 cents to A$16.60.

TAIWAN finished lower in uncertain trading before the National Assembly elections. The weighted index declined 23.48 to 4,355.02, after shedding 13.11 on Saturday. Turnover came to T$17.02bn, against Saturday's half-day T$12.57bn.

SINGAPORE saw the Straits Times Industrial Index slip 14.15 to 1,439.05 in turnover of S$52.4m, after S$44.1m. Malaysian stocks were sold on talk that lending rates in Malaysia were about to rise. KUALA LUMPUR's composite index eased 3.88 to 528.21. Volume rose to M$41.6m from M$38.5m.

NEW ZEALAND ended easier in spite of some foreign buying in the afternoon. The NZSE-40 Index dipped 8.19 to 1,485.51. Turnover shrank to *NZ$7.5m from NZ$13.8m.*

BANGKOK slipped amid *uncertainty over the draft con*stitution, due for final reading *this week. The SET index* ended 4.47 lower at 666.60 in thin turnover of Bt2.32bn.

SEOUL ended flat as insolvency rumours *dampened* an early rebound. The composite index lost 0.67 at 651.44.

KARACHI coupled political stability with good corporate news, and the KSE 50-share index climbed 110 or 3.7 per cent to 3,087.

Miserable week for Japan and Norway

MARKETS IN PERSPECTIVE	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−3.03	+5.14	−6.54	−7.64	−7.20	−15.12
Belgium	−2.10	−2.23	+6.05	+7.52	+8.30	−0.95
Denmark	−1.55	−4.06	+14.90	+18.73	+18.45	+8.33
Finland	+0.70	−1.68	−8.74	−8.30	−17.62	−24.66
France	+0.09	−5.44	+10.61	+14.71	+14.93	+5.11
Germany	−2.63	−0.80	+3.61	+6.35	+6.89	−2.24
Ireland	−3.30	−5.80	+10.51	+11.73	+12.48	+2.87
Italy	+2.57	+1.83	+3.64	−0.23	+0.48	−8.11
Netherlands	−1.51	−1.84	+15.64	+15.45	+16.14	+6.22
Norway	−7.43	−14.57	−19.40	−12.70	−12.39	−19.89
Spain	+0.39	−8.54	+10.83	+12.74	+13.65	+3.93
Sweden	+2.06	−10.99	+16.60	+12.87	+16.52	+6.57
Switzerland	−1.73	−3.19	+19.98	+17.98	+14.51	+4.73
UK	−1.11	−5.40	+13.37	+12.84	+12.84	+3.19
EUROPE	−1.01	−4.05	+10.69	+11.26	+11.33	+1.81
Australia	−2.42	−5.32	+20.31	+25.79	+39.64	+27.72
Hong Kong	−2.62	+2.58	+40.04	+39.46	+53.25	+40.14
Japan	−1.75	−7.77	+7.10	+1.25	+15.49	+5.61
Malaysia	−1.05	−0.23	+10.34	−2.10	+5.05	−3.94
New Zealand	−0.63	−2.61	+7.57	+15.99	+21.18	+10.80
Singapore	−0.75	+2.44	+31.00	+24.33	+41.75	+29.63
Canada	−0.56	−2.18	+6.86	+3.16	+15.34	+5.48
USA	−0.14	−3.99	+19.63	+14.66	+25.38	+14.66
Mexico	−0.71	+1.11	+137.59	+134.25	+148.73	+127.47
South Africa	+0.58	+1.40	+36.74	+31.59	+60.32	+46.61
WORLD INDEX	−0.94	−5.03	+13.59	+9.93	+19.20	+9.01

† Based on November 29th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

By Jacqueline Moore

JITTERS IN Japan pulled global stock markets lower last week, although a steady performance by Wall Street in Thanksgiving week restricted the losses. Most markets finished the week slightly lower, with only Norway showing a sharp decline.

The FT-Actuaries World Index fell 0.9 per cent on the week in local currency terms. By excluding Japan, however, *it declined only 0.6 per cent,* while by leaving out the US, *the index dropped 1.4 per cent.*

The Japanese market began *last week in miserable fashion.* Its fall on Monday extended its *string of losses to nine in a* row – the longest series of declines since 1968. *Although* it managed a technical rally on Tuesday, arbitrage-related trading pushed the market down again in thin volume for the rest of the week.

Investors' worries about arbitrage unwinding are expected to grow, says Nomura, the broker, as next week's special quotation day, which is inauspiciously set for Friday 13, draws nearer.

Nomura adds that the failure of recent new listings have added to the pessimism. Sony Music Entertainment, for instance, which failed to trade on November 22, the day of its debut, closed at Y5,210 last Monday – 23 per cent below its offer price. On Thursday, Hitachi Medical, which had been offered at Y6,894 a share, finished its first day with an asking price of Y5,500.

Within Europe, the worst performer was Norway, *dragged down by a 13.3 per* cent drop in Norsk Hydro, the *energy, metals and chemicals* group, which accounts for *about a quarter of Oslo's mar*ket capitalisation. Mr David Longmuir of James Capel says most of the selling was by domestic investors, on rumours of heavy losses at its magnesium division this year.

He expects the market to drift for the rest of this year, as institutions switch between different classes of shares for tax reasons. He hopes for a technical bounce in the new year, but adds: "Foreigners will take an awful lot of coaxing back to Norway."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 2 1991								FRIDAY NOVEMBER 29 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	149.65	−0.7	124.89	122.93	125.19	127.00	−0.8	4.59	150.77	126.64	123.94	127.49	128.05	160.31	112.74	122.42
Austria (20)	166.61	−0.2	139.04	136.86	139.37	139.20	−1.5	2.07	166.90	140.19	137.20	141.13	141.29	222.37	153.86	199.16
Belgium (47)	131.68	+0.6	109.89	108.16	110.15	107.49	−0.9	5.51	130.96	110.00	107.85	110.74	108.51	151.20	118.04	134.23
Canada (115)	137.50	+0.3	114.75	112.94	115.01	112.81	+0.1	3.30	137.15	115.21	112.74	115.97	112.72	144.28	126.49	128.17
Denmark (37)	253.29	+0.5	211.38	208.06	211.88	215.13	−0.9	1.66	252.00	211.68	207.16	213.09	217.04	270.56	217.74	242.64
Finland (15)	78.79	+1.4	65.76	64.73	65.91	71.99	+0.1	3.38	77.71	65.27	63.88	65.71	71.95	125.15	77.43	106.21
France (109)	137.40	−0.8	114.67	112.86	114.93	118.54	−1.7	3.74	138.48	116.32	113.83	117.09	120.61	152.26	119.11	139.00
Germany (65)	108.96	−0.4	90.93	89.51	91.14	91.14	−1.5	2.53	109.39	91.88	89.93	92.50	92.50	125.35	94.15	118.18
Hong Kong (55)	168.29	−1.4	140.45	138.24	140.78	167.68	−1.4	4.42	170.71	143.40	140.34	144.36	170.10	176.14	119.62	122.61
Ireland (18)	153.16	+0.3	127.82	125.81	128.12	130.48	−0.8	3.84	152.72	128.28	125.54	129.14	131.49	182.46	132.88	147.95
Italy (77)	71.21	−1.1	59.42	58.49	59.56	64.60	−1.9	3.59	71.96	60.45	59.15	60.85	65.82	88.23	64.76	77.67
Japan (474)	128.79	−2.3	107.48	105.79	107.75	105.79	−2.3	0.80	131.77	110.69	108.32	111.44	108.32	146.97	118.23	119.67
Malaysia (68)	201.73	−1.0	168.35	165.70	168.75	213.73	−1.1	2.91	203.79	171.19	167.52	172.33	216.04	247.78	189.18	191.35
Mexico (17)	1337.40	+0.6	1116.13	1098.58	1118.75	4446.67	+0.6	1.15	1329.45	1116.73	1092.89	1124.20	4420.24	1404.63	534.45	583.06
Netherland (31)	142.08	−0.2	118.58	116.71	118.86	117.60	−1.2	4.59	142.30	119.53	116.98	120.33	119.05	148.25	125.70	133.62
New Zealand (14)	47.79	−0.6	39.89	39.26	39.98	45.05	−0.9	6.17	48.10	40.40	39.54	40.67	45.48	54.64	41.18	48.00
Norway (30)	157.08	−4.0	131.09	129.03	131.40	135.01	−5.1	1.91	163.65	137.47	134.54	138.39	142.33	223.24	157.08	223.06
Singapore (38)	205.48	−0.5	171.49	168.79	171.89	157.24	−0.9	2.22	206.46	173.43	169.73	174.59	158.65	213.93	151.63	154.80
South Africa (61)	268.05	+0.0	223.71	220.18	224.23	178.09	−0.6	2.76	268.14	225.24	220.42	226.74	179.24	271.99	173.00	174.39
Spain (53)	145.14	−0.5	121.13	119.23	121.41	112.92	−1.4	4.90	145.84	122.50	119.89	123.32	114.51	171.12	131.51	146.24
Sweden (25)	168.04	−1.1	140.24	138.04	140.57	146.71	−2.1	3.04	169.92	142.73	139.69	143.69	149.86	204.12	146.60	163.49
Switzerland (58)	92.56	−0.6	77.25	76.04	77.44	81.72	−1.5	2.47	93.14	78.23	76.57	78.77	82.94	100.67	82.17	89.37
United Kingdom (239)	171.53	+0.3	143.15	140.89	143.48	143.15	−0.3	5.21	170.96	143.61	140.53	144.55	143.61	187.44	156.27	165.97
USA (526)	155.29	+1.6	129.60	127.57	129.91	155.29	+1.6	3.13	152.85	128.40	125.66	129.26	152.85	161.59	125.95	130.84
Europe (825)	136.75	−0.2	114.13	112.34	114.40	114.95	−1.0	4.20	136.96	115.05	112.59	115.82	116.12	151.52	125.50	136.78
Nordic (107)	171.80	−0.6	143.21	140.96	143.55	142.46	−1.8	2.27	172.63	145.01	141.91	145.96	145.07	200.81	155.55	174.77
Pacific Basin (718)	130.32	−2.1	108.76	107.06	109.02	108.02	−2.2	1.15	133.16	111.85	109.47	112.60	110.46	145.92	117.86	119.58
Euro – Pacific (1543)	133.21	−1.3	111.17	109.41	111.42	111.53	−1.7	2.40	135.00	113.40	110.97	114.15	113.49	147.66	121.29	126.92
North America (641)	154.11	+1.5	128.62	126.61	128.94	152.42	+1.5	3.14	151.80	127.51	124.81	128.39	150.15	160.44	125.91	130.47
Europe Ex. UK (586)	115.92	−0.5	96.74	95.24	96.99	98.72	−1.5	3.44	116.51	97.87	95.80	98.55	100.24	129.80	103.58	118.77
Pacific Ex. Japan (244)	145.45	−1.0	121.39	119.50	121.69	128.94	−1.1	4.21	146.88	123.38	120.76	124.21	130.32	153.19	111.40	117.89
World Ex. US (1736)	135.56	−1.2	113.13	111.36	113.40	113.37	−1.6	2.43	137.25	115.29	112.84	116.06	115.23	148.16	122.32	127.63
World Ex. UK (2023)	138.30	−0.3	115.42	113.61	115.70	124.74	−0.5	2.40	138.67	116.48	114.00	117.27	125.32	146.16	120.06	123.99
World Ex. So. Af. (2201)	140.34	−0.2	117.12	115.29	117.40	126.03	−0.4	2.69	140.63	118.13	115.62	118.93	126.60	148.66	122.92	127.43
World Ex. Japan (1788)	149.10	+0.8	124.44	122.49	124.75	137.97	+0.4	3.55	147.98	124.30	121.66	125.15	137.38	155.59	126.69	133.16
The World Index (2262)	141.20	−0.2	117.84	115.99	118.12	126.50	−0.5	2.69	141.49	118.85	116.32	119.65	127.07	149.37	123.28	127.72

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